The MAGAZINE of WALL STREET

July 31st 1926

35 Cents A Copy

EDITED BY

Richard D. Wyckoff

Short-Changing the Man with a Saved Dollar

By Rep. JAMES STRONG of Kansas

193 Important Listed Stocks Rated According to Possibilities for Price Enhancement

What the Coming Harvest Holds for Business

By ARCHER WALL DOUGLAS

Member Audit Bureau of Circulation

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Vol. 38, No. 7 **July 31st, 1926**

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SUBSCRIPTION PRICE, $7.50 a year, in advance. Foreign subscribers please send international money order for U. S. Currency, including $1.00 extra for postage (Canadian 50 cents extra).

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BRANCH OFFICES—70 Post Street, San Francisco, Cal.; Bulletin Building, Philadelphia, Pa.

EUROPEAN REPRESENTATIVES: The International News Company, Ltd., Breams Building, London, E. C. 4, England.

WITH THE EDITORS

Is This Man's Investment Problem Yours?

WE are publishing the accompanying letter, from a subscriber, because the investment problem it touches is of paramount interest to thousands of investors throughout the country. We trust that the advice we have given will be found useful by investors generally.

The trouble with the investment program indicated in the accompanying letter is, as stated by the writer, that his securities are largely in "one basket." This is not to say that the American Telephone stock to which our subscriber confined his security investments is not a sound issue or that he need expect trouble from that source. American Telephone for many years ought to continue to pay adequate dividends to stockholders. Hence, our reason for criticizing the investment program of our subscriber is not that he made a mistake in his choice of stock. It is rather that by confining himself to one single stock, he has deliberately excluded himself from taking advantage of the opportunities presented by other securities.

After all, one of the main objects of an investment program, aside from obtaining a dependable income ought to be to increase the value of one's capital. The investor by judicious security selections should attempt to participate in the growing prosperity of this country's leading business organizations. If he limits himself to one stock, albeit of sound investment quality, he has placed himself in a position where he need not expect a great growth in the value of his capital.

Hence, we should advise our subscriber and any others who are mapping out their investment program on the same lines to continue to place a certain portion monthly in the purchase of A. T. & T. stock and to place the rest of his funds in monthly payments on other securities, part in good bonds and the rest in sound stocks which have definite prospects of growing in value. Suppose, instead of depositing $57 a month as part purchase on A. T. & T. stock, our subscriber had used one third of his monthly payments, using the balance for good bonds, and the rest for good securities, as Missouri Pacific preferred (which we have recommended many times in this publication), Reading, Hudson & Manhattan common, and other stocks of sound merit. This would provide an opportunity for growth in his investment capital, without departing too radically from his program for old age independence. The subscriber is already paying out $40 in Building & Loan stock, which we assume to be secure, is providing for old age through limited payment insurance, and in other ways is saving regularly. We believe this man could afford to invest at least a small part of his available funds in sound common stocks. There is such a thing as being entirely too conservative in investments. No investor really does himself justice, unless he is willing to share in the profits of sound American business organizations, and this, generally he can only do if he buys their common stocks.

A Typical Investment Problem

Buffalo, N. Y.

Editor, The Magazine of Wall Street,

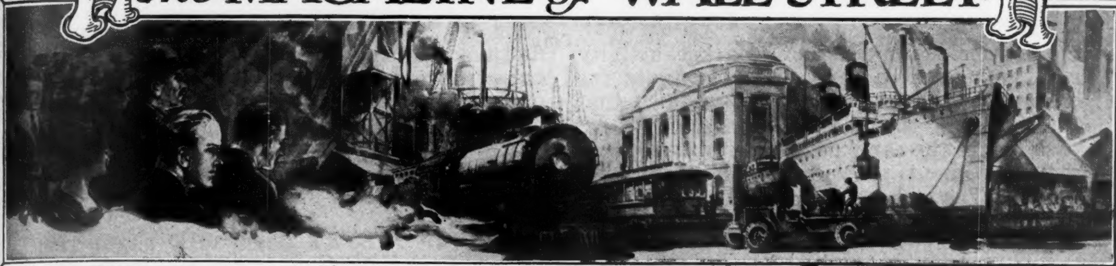
Sir: Prompted by reading the article "What Per Cent Should Your Securities Pay?" by E. D. King in the June 19 issue of your magazine, to which I am a yearly subscriber, I am presenting my personal investment problem and asking for advice.

I am 43 years of age, with no permanent dependents except my wife. My salary income is over $6,000 a year. We own a two-apartment house, one of which we occupy, valued at $17,000, with an encumbrance of $3,000. The bulk of my other holdings is represented by 100 shares of A. T. & T. stock purchased at varying prices from 105 to 125. I carry $15,000 life insurance, $10,000 of which is in the limited payment plan, maturing at age 55. I also carry health and accident insurance. In addition, owing to peculiar personal family relationships, I am paying for about $10,000 life insurance on relatives. My investment budget is $57 a month in A. T. & T. stock, $40 a month in vacant real estate, and $40 a month in building & loan stock.

My general plan contemplates particularly old age independence and naturally am anxious to provide as well as possible. I am somewhat concerned over the fact that my securities are so largely in "one basket" and that my savings plan tends to perpetuate this condition. Do you recommend any change? Any suggestion will be appreciated.

F.K.H.

The MAGAZINE of WALL STREET



EDITOR
RICHARD D. WYCKOFF

MANAGING EDITOR
E. D. KING

INVESTMENT & BUSINESS TREND

Selectivity in Current Purchases of Securities—Business Changes—New Demand for Money—Our Foreign Trade —Better Sugar Situation?—The Market Prospect

ONE of the outstanding characteristics of this market is that, with several important exceptions, the most steadily climbing stocks are those which participated very little in the last bull market. Among them, indeed, may be found issues which have been stagnant for a period of several years. Mostly they will be found among the investment group, neglected for the most part in the spectacular advance of speculative issues in the 1925 and early 1926 bull market. These latter, to a large extent, are now more or less quiescent, while the investment issues have at last come into their own. It must be admitted that recognition of their real value is rather belated. Many of these stocks, especially in the railroad group, have sold in recent years at undeservedly low prices, and it is a question whether even at the higher prices prevailing today they are measured at an approximation of their true value. Many sound stocks may be secured to yield from 5 to 6%, a fair return in a low money market, and, besides, they are buttressed by exceptionally large equities and earning power. Morever, they represent organizations which can resist for a long time the inroads of a possible decline in business. Possessing all these virtues, it is not surprising that discriminating and experienced investors should turn their attention to the sound dividend-paying issues in preference to the more speculative type. It is a process quite likely to continue as long as investment funds remain abundant and good stocks can be found to yield an adequate return on the investment.

BUSINESS CONDITIONS

THOUGH marked by many irregularities, conveying an impression of distinct weakness in certain directions, the present business situation represents an improvement over that of several months ago. Such indices as the new gain in steel business, the increase in railroad tonnage, higher retail sales and firmer commodity prices, point to the fact that, to a considerable degree, the decidedly unfavorable situation of last March and April has been rectified. Business, of course, is not as active as at the peak of the boom a few months ago. On the other hand, it has not sunk as low as expected. The ability of business to fairly hold its own is therefore encouraging. From present reports, it seems that conditions should continue on the uptrend for several months, when, depending partly on the crop situation and partly on the European outlook, business should either continue to make gains until the end of the year or fall back into the rut which seemed imminent last spring. Summarizing, one can safely say that present conditions show some improvement but that the broader outlook is uncertain and dependent on factors impossible to estimate at this time.

MONEY RATES

IN part due to increased speculation in the stock market and in part to the increased commercial demand for funds, money rates have firmed up. With

the outlook for further market activity and continued absorption of funds for business purposes, it now seems that rates during the balance of summer and, possibly, in the early part of autumn, will remain at about present or slightly higher levels. The only practical effect of this is likely to be some slight, temporary withdrawal of funds from the bond market, and consequently, slightly lower prices in the high-grade issues. This, however, will only postpone for a short time the inevitable march of sound bonds into considerably higher territory.

FOREIGN TRADE

OUR balance of trade for the fiscal year ended June, 1926, showed an excess of about 200 millions. This compares with 681 millions in 1925 and 981 millions in 1924. A significant feature of the 1926 figures is that while our exports increased only 100 millions, imports increased by not less than 600 millions. This reveals the underlying tendency. The rest of the world, Europe principally, has quit buying from us except what they are unable to obtain elsewhere and what is essential for the conduct of their industries. At the same time, the world is determined to find in this, the wealthiest of all markets, a dumping place for its goods. It is not insignificant that the great rise in imports should have taken place notwithstanding that we have the highest tariff duties on record. Slowly, as recent years have passed, we have found ourselves approaching the historic position of Great Britain, whose position as world's banker was found compatible with free trade. As our investments abroad increase, we are compelled to accept payment in goods. Thus the avenue is left wide open for competition with our industries. Were it not for the still partly disorganized condition of European industries, there seems little reason to doubt that by this time we would be feeling the full effects of world competition. That day, while in part postponed, seems inevitable. Of course, though some of our industries may eventually suffer in the process, it must be remembered that there will be a compensating factor in the increased return from our foreign investments. At the same time, however, we cannot hope to depend on such an increase in revenue, for in the final analysis we must depend on the prosperity of our industries. Hence, regardless of the potential income to be derived from future investments abroad it behooves us to get busy and find new markets for our goods lest we find ourselves in the unenviable position of a company with large investments in securities but no earning power from business operations.

SUGAR INDUSTRY MORE CHEERFUL

THE slight rise in sugar quotations which has taken place recently seems the prelude to a further advance. Demand for sugar has steadily increased with a marked increase of late. At the same time, while production and stocks are still large the margin between supply and demand has diminished. No doubt, the prospect for considerable curtailment in Cuban sugar production, the results of which will be felt in a few months, is the basic factor in the situation. The sugar cycle seems slowly turning to an era of smaller output and higher prices. Investors could do worse than to examine into the long range outlook for the sounder sugar securities.

MARKET PROSPECT

THE present market is characterized by a fairly large turnover but the fluctuations are meaningless. Alternate declines and recoveries in the leading speculative stocks are not likely to impart much confidence among investors and, in fact, public interest in the market seems to be dwindling. Undoubtedly, the bulk of current transactions is for pool account, with the pools content for the present with protecting the market position of their pets. Recent reactionary tendencies have been ascribed to the unfavorable French situation but this is merely a pretext, as the market through two months of uninterrupted advance had worked itself into an unhealthy condition. The reaction in fact was overdue. It would seem that the present highly mixed situation would continue until there are more definite indications of the business trend. Investors should realize that this is no time for hasty security purchases as the general level of stock prices is high. Careful searching, however, may still reveal a comparatively small number of issues, which regardless of the future trend of the market, are undeniably undervalued. Therefore, as sound policy, the investor should take advantage of this opportunity to replace weaker with stronger holdings and, in general, to place himself in a more or less liquid position.

Monday, July 26, 1926.

Canada Faces Momentous Decision

At the Parting of the Ways—Will She Continue to Go Along with Great Britain or Become Entirely Independent?

By E. D. KING

To which is appended the views of

Right Hon. W. L. Mackenzie King

Ex Prime Minister of Canada

The author of this article has just returned from Canada where he has had the opportunity of studying at first hand the extraordinary political conflict unfolding across the border. With billions invested in Canadian enterprises, a situation of this sort must keenly interest Americans. It seems that world history is in the making in Canada and nothing less is at stake than whether Canada is to continue in the British Empire, or gradually cut loose.

A vast political drama in Canada is entering its crisis. For the moment, the principal actors loom up strongly, but even their vivid personalities are overshadowed by tremendous issues, the outcome of which may deeply affect the Canadian and British people. And back of the shadows cast by these issues, always looms the enigma of the future relations between Canada and the United States.

Canada is increasingly confronted with a problem which becomes more urgent as the years pass. Shall she stay in the British Empire or take further steps to secure definite independence? Obviously, the solution of such a large-scale problem cannot come about in a short time but it seems that the nature of the solution in considerable degree will be settled at the forthcoming national elections.

These elections are precipitating the bitterest political battle in the history of Canada. The great parties, Liberal and Conservative, are racked by internal dissension. Cynically aside stand the Western Progressives, a new farm party, hostile to the aims of the industrialized East.

The tariff, of course, is one of the shibboleths of the campaign. Shall Canada raise or lower its tariff, shall she offer preferential tariffs to the British Empire, shall she seek reciprocity with the United States, shall she go free trade altogether? There are many to adhere to each of these viewpoints and they will be found in each of the two older parties.

On the human side is the gulf between the French-Canadian, inspired by a practically established French tradition, and the British Canadian still loyal to the British Empire. Then again, principally among the Western farmers, will be found a decided sentiment for breaking away completely from the British Empire.

Will It Come to This?

This complexity of motives, political and economic antagonisms, marks Canada today. The Liberals, largely recruited from the French-Canadian population in the East, are led by Rt. Hon. William Lyon Mackenzie King, Harvard graduate and former head of the Rockefeller Foundation. Mr. King and his followers are opposed to the protectionist principle and are nationalist in sentiment; that is, they believe Canada ought to be entirely independent and free of British influence. They do not admit it so openly but nevertheless all their policies are colored by this general objective.

The Conservatives, a high tariff party, largely recruited from Canadians of British stock, especially in the province of Ontario, are led by the present Prime Minister, the Rt. Hon. Arthur Meighen, an able politician who cannot see a future for Canada except under the British ægis.

The progressives, still a minority party, are hostile to the East, and are for the farmer, first, last and all the time. They are free trade and quite sympathetic to the idea of a closer union with the United States. They are recruited from the great wheat provinces of the West and many of them are Americans, now naturalized Canadians.

These facts may not be known to the rank and file of Americans, who have never betrayed any particularly lively interest politically in the affairs of our northern neighbor. Yet American investments in Canada are variously estimated from 3.25 to 4 billions. Our trade with Canada is only second to that of our trade with the United Kingdom. One does not require statistics to understand the extent of our economic penetration of Canada. Wherever one goes across our northern boundary he is met with the physical fact of the activities of typically American corporations. Our mutual economic relations are extremely intimate.

There are many in Canada who feel that a tariff boundary

between the industrial United States and industrial Canada is an anachronism, that the welfare of the one is so bound up with the welfare of the other, that there should be no tariff wall. Certainly, eastern (industrial) Canada is economically much closer to eastern industrial United States than Western agricultural Canada.

The recent Liberal Government made a moderate cut in the duties on imported automobiles and raised a terrific outcry from the Conservative protectionist camp. Their view was that Canadian manufacturers of automobiles be protected against foreign invasion. Yet the bulk of the cars manufactured in Canada are by subsidiaries of American companies. The parent companies thus stood to profit regardless of the outcome. The Liberals could properly say that in this case there was no special need for protection and that if Canadian industries could not compete with foreign industries in the home market, they should not be encouraged.

Canadians, even in the conservative camp, fear to impose excessive tariffs. The United States is the principal Canadian market. If American goods are shut out, they fear possibilities of reprisals. Then, the more moderate of them feel, where would Canada be?

It is plain that no great economic issue in Canada can be settled without considering the possible effect on trade with the United States. The Canadians, being so much closer to us, are far more dependent on our markets than they are on those of the United Kingdom. This is the great influence which is constantly coloring the viewpoint of the Liberal nationalist party and which must inevitably make them feel that Canada is in reality part of the economic sphere of the United States.

Against the economic factor is pitted that of loyalty either to the Canadian standard itself or to that of the United Kingdom. Only in the West do they think in terms of annexation to the United States, and there are few Canadians who really want it. But the camp of these who believe in a Canada entirely free of British influence is daily growing. What is England doing for us, they ask. At the time of the war, Canada responded with more than her share to the British call. Canada has totalled up her war casualities, in man power and money, and feels that the result has not been worth while.

She gazes out across the ocean to an industrially and financially weakened mother country. She daily grows more apathetic to the newer appeals for co-operation. Shortly, the heads of the various British commonwealths will meet in London to take steps to bring these various nations into a more solid hegemony. They will try to build an edifice of economic British solidarity perhaps even going to the extent of fostering free trade between the British nations and dependencies, at the same time throwing up a tariff wall to keep the goods of other nations out of this ring. The edifice will be strong only if the British can count on Canada being in. At present, this is a most un-

Canada's Political Battle

As Seen by

Rt. Hon. W. L. Mackenzie King,

Ex-Prime Minister of Canada

Note: In this statement, the Canadian ex-prime minister gives tersely but dramatically the essential issue on which the Liberals are prepared to wage political battle during the forthcoming elections. One can read through his statement a stern resolution that nothing will be permitted to interfere with Canada's sovereign rights as a nation. It is a viewpoint which, despite its apparent local atmosphere, is bound to have repercussions in England.

THE present conflict between the Liberal and Conservative parties in Canada has many phases but none more crucial than the question of constitutionality raised by Mr. Meighen, the present prime minister. As stated in my recent speech in Ottawa there must be equality of status between the governments of Britain and the self-governing Dominions. No individual is so exalted as to take upon himself the responsibility of acting as sole advisor either of Britain or the Dominions. The question before the Canadian people is to decide whether representative institutions can be threatened in Canada without their being threatened everywhere. As I said in Ottawa "If Mr. Meighen's unconstitutional course is permitted to go unchallenged —then may the question be raised on behalf of all self-governing British communities whether the British constitution may not become a phantom to delude to destruction, instead of being, as we believe it is, the day-star of our dearest liberties." (Mr. King alludes in this to Mr. Meighen's rather unprecedented action on the recent occasion when he assumed office and shouldered the responsibility of administration without a single Minister sworn to office, save himself.—Editor's note.)

certain matter. If, at the forthcoming elections, the Conservatives gain a majority in the House of Parliament, then the Dominion may find herself represented in London by a Conservative Prime Minister and this would mean that Canada had set her feet in the direction of closer relations to the United Kingdom. If, on the other hand, the Liberals win, then the British Government may as well give up their idea of a solid British Empire. Here, the approaching elections must be considered a milestone in Canada's history.

Adding to the utter confusion now prevailing is the fact that neither of the two older parties has any longer a definite policy upon which the entire body can agree. Party labels mean little today. How can the Conservatives go to London and negotiate for imperial free trade when their very foundation is the protectionist sentiment of the English industrialists in Ontario and Quebec who fear British competition much as we do? Thus, the Conservatives are in reality thrown back on the ideas which formerly governed the Liberal. On the other hand, the Liberals a traditional free trade party, except for the divagations of Sir Wilfred Laurier, are hostile to imperial free trade. The French-Canadian sentiment is nationalist, that is protectionist and is the backbone of the party. Hence, each party goes into the campaign with one arm tied behind the back. This lends a curious insincerity to all campaign statements. Each party is thoroughly muddled, except for the Progressives who though they represent a solid economic interest and therefor have a consistent aim, are numerically weak. However, the formation of the Canadian farmers' grain pool, now handling at least 60% of the grain exports of the Dominion, has given great economic prestige to the progressives west of the Great Lakes.

HON. WM. LYON MACKENZIE KING

Ex-Prime Minister of Canada

Leader of the Canadian Liberal Party and staunch advocate of the policy of nationalism in Canada. Conservatives, in fact, accuse him of deliberately encouraging a program which would result in the separation of Canada from the British Empire.

Canada is commonly thought of as a young, growing empire. This is true but she is growing much more slowly than she should. Canadians are not sure whether this is the result of deliberate British policy to keep the embryo British Commonwealths in their place. Many feel that under an American government, Canada would have been much farther along economically. Perhaps, the conservative influence of the Catholic Church has had something to do with the situation but the fact is that Canada is today economically behind the United States.

She suffers from lack of manpower in the Western provinces, and from lack of capitalist initiative among the large French-Canadian population of the East. She is overdeveloped in some respects industrially and financially she is still to a large extent dependent either on London or New York. In effect, the banking position of the Dominion is such that its true reserves are in Wall Street and not Lombard Street. England no longer supplies Canada with capital as compared with America. Economically, America and not England is the mother country. The Conservatives claim, not without justice, that if the Liberals have their way and Canada becomes entirely independent of the United Kingdom, she will be too weak to stand by herself and that economic determinism will compel her to seek protection through some more or less formal arrangements with the United States.

But 40% of the population, French - Canadian and Catholic, would resist to the end any such move, not that they have any special affection for the United Kingdom but that they fear the possible interference of our Government with their local religious freedom. It must be recognized that the Canadian Government, largely manned by descendents of English and Scotch settlers, has been most wise in not interfering with the educational establishments of the Catholic Church. As the French-Canadians are passionately determined to retain their privileges in this respect, it seems inevitable to recognize that in this case, the religious, nationalist sentiment will outweigh economic considerations. Hence, it does not seem likely that Canada will put herself formally under the influence of the United States for a great many years and, in fact, it would seem that the least civil commotion would be caused if Canada would continue under the British banner.

Yet, the other horn of the dilemma is that after all Canada must find the solution of her serious economic problems in the United States and that economic law finally will prevail.

Fortunately, Canada is not a radical country. It is at least as conservative as the United States in its economics. Hence, regardless of the political outcome, it is clear that the stability of American investments in Canada cannot be threatened seriously. Yet, one cannot face the problem without seeing that Canada's growth is being held back on account of the inability of its leaders to agree on a common program.

Bolstering the Market Through Refunding Operations

Corporations Converting Seven Per Centers Into Five Per Centers—Direct Benefits to Common Stockholders

By GEORGE B. COLLINGWOOD

In this article, investors are urged to look into refunding operations by the larger corporations as a source of higher prices for common stocks. The writer urges that reduction of fixed charges on bonds or on preferred stocks is an important bullish factor today, and will have a tendency to limit market recessions in the future.

FOR more than two years, barring one or two relapses we have had a strong stock market. While recessions were important, and, no doubt quite significant, yet, from the long-term viewpoint, stocks have been rising since the spring of 1924. Such sustained strength is extraordinary and would seem to indicate that more than one factor has operated in favor of advancing quotations. There have been, actually, three important factors, of which two have been studied and one has been practically ignored. Yet, this latter factor has been in many respects more constructive than the others, and, what is more, it seems that it will have increasing market importance in the future.

Markets advance either on realized or anticipated earning power of common stocks. The 1924-6 bull market has proved no exception. Increase of asset values, or hidden assets, as such, do not create a market. Assets are always considered to be of value only insofar as they are reflected in earning power. The only possible exception to the rule consists in the accumulated surpluses that finally emerged as earnings, after their hiding under oppressive post-war taxation. But this has been greatly overrated as a sustaining force. The proof is that companies which had admittedly fared badly in 1921—such as the General Motors Corporation—advanced upon actual operating profits that emerged throughout the length and breadth of the bull market. The axiom remains fixed—the bull market since 1924 was sustained by anticipated and realized earning power per share of common stock.

This earning power was compounded of three elements. The first was actual profits due to large sales at good prices. The second consisted of operating economies due either to lower wage costs, greater efficiency or reduced raw material costs. The third and neglected factor was the volume of refunding manifesting itself after 1923, which reduced charges on prior capitalization and so added to the earning power of the common stock.

How important this last factor may be can be shown by one theoretical example. Suppose a corporation has a total capitalization of ten millions, of which six millions are in senior, fixed charge obligations (bonds and preferred stock) and four millions in forty thousand shares of common stock, par $100.

A reduction from 7 to 5% on these senior obligations would mean $120,000 per annum or $3 per share on the common, which the market could capitalize at $30 per share. If stock had previously earned $3, such an item alone would amount to a 100% price advance. And all this without additional profits or greater economies!

To turn from theories to living market facts, one has to inspect the table accompanying this article. Considerations of space have prevented listing anywhere near all of the refunding activities of corporations in the last three years, but the list is well sampled, and shows a considerable number of common stocks in which notable advances per share can be traced directly to such refunding operations.

Future of Refunding Operations

It is abundantly obvious then that refunding has been an important cause of high stock quotations. Will it continue to exert such an influence on future quotations?

The first factor that has sustained stock quotations, gains in net profits due to great business activity is continuing, but not likely to be augmented. The second, operating economies due to reduced labor costs, raw materials' costs, etc., is likely to continue at a more pedestrian pace. The third factor is quite likely to become a more important factor than it has been in the past.

Refunding operations have barely begun, for it is not merely 7% and 8% bonds and preferred stocks that are involved. For the better companies even 6% securities may be refunded, as 5.25%, say, comes to regarded as a good common stock yield on a prime industrial. Naturally, however, the 6½% securities and those with higher coupon rates will bear the brunt of future refunding. A very large section of bonds are affected by this situation, and perhaps a clear majority of preferred stocks. Continued low interest rates will either compel their refunding or their progressive maturities will effect a compulsory refunding. In either case the common stock will reap the benefit.

What Borrowing Has Cost the Larger Corporations

Rarely have bond yields been as high as in 1920-1, following the post war inflation. Seldom, as when corporations faced staggering losses in 1921, was the need for large financing as urgent as it was at the very moment that interest rates were at their peak. So unfortunate a conjunction of circumstances led to financing at rates that have weighed upon industry ever since.

Despite the burden of these charges, profits were such that common stock earnings have scored considerable advances, but the mitigating factor was undoubtedly the amount of refunding actually accomplished and the amount that appeared prospective as the interest rate began to tumble. Hence, it may be fairly stated that the greatest results of refunding are yet to be manifested, since the actual lifting of the burden of high fixed charges has not been accomplished except in comparatively small part.

Added to these burdens were the high financing costs encountered in the 1920-1 orgy of finance. An 8% preferred stock of a company little short of the best, would often be sold to the bankers at 88, leaving the net cost to the company 9.11% annually, and ultimately much more whenever redemption was attempted. Such a figure was not at all exceptional. Fortunately, financing costs have have declined along with most costs and banker profits are now

a moderate compensation for the service and risk involved. These lower refinancing costs have naturally stimulated refunding operations.

Such have been the broad outlines of the subject. But the trader needs to know those details which limit the influence of refunding on the stock market. One patent limitation is naturally a high redemption price. For example, General Motors 7% preferred stock is selling at about 118. Its yield is less than 6% and it will undoubtedly yield less, perhaps 5½% as time goes on. But it does not follow that this is a bullish factor for General Motors.

General Motors could issue a 5½% preferred stock to-day and easily market it. But to pay out more than 25 millions in cash for the preferred stock (redemption price is 125) would more than cancel the benefit of 1.5 millions a year saved in interest charges. But such redemption prices are not common. As a rule, where preferred stocks are callable at all, they are callable at about 110. Here it is obvious that the payment of the redemption price would depend entirely upon the price at which the company could float new stock. For example, if a 7% stock is redeemable at 105, and if the stock could sell on a 5.25% basis, then the company is paying out $5 per share to save the difference between the two yields, or $1.75 per share per annum. Such a step would help. It does not follow that because a preferred stock or bond is not selling to yield 5.25%, that refunding could not be effected on such a yield basis. Prices of bonds or preferred stocks rarely go much beyond the call price, since any such premium makes refunding tempting to a corporation. Hence it is not upon the present price paid for bonds or preferred stock but upon what price the refunding stocks or bonds could be sold at that the corporation's calculations of the advantage of refunding would be based.

Wherever bonds are selling at premiums, wherever the redemption price is not too high, wherever the nominal interest rate is 6% or above, and wherever bonded debt is either large in amount or large in proportion to total capitalization, or both, refunding is in order. Only those who have surveyed the whole preferred stock and bond fields can imagine the scope of securities that fall within these classes, and what their possible refunding is doing to stimulate the market in common stocks. Even when present low refinancing costs are added (in addition to call price premium) the great majority of corporations would still find refinancing profitable, except where the bonds have short maturities, say, eight years or less.

A further saving, not commonly remembered, is the prestige afforded by low coupon rates. The corporation that can sell only a 6% bond is not in the same class as the corporation that can market a 4% bond. One is highest grade, the other middle grade. Hence, a successful refunding of, say, a 6½% bond into a 5% bond, not only saves

(Please turn to page 718)

How Leading Companies Have Since Handled Their Post-War Depression Emergency Bond Issues

—Showing the Amount Saved for Common Stock Through New Financing—

Name of Security	Year of Issue	Am't Issued ($1,000,000)	Offered to Yield	Am't Redeemed ($1,000,000)	When Redeemed	Refunded by	Offered to Yield	Annual Saving in Interest ($ per Sh. Com. now Out.)
Amer. Ag. Chem., 1st Rfd., 7½s, '41	1921	30.00	7.75	6.00	to date	Cash	...	1.35
Amer. Sumatra, 5-Yr., 7½% cv. Notes	1920	6.56	8.00	6.23	to date	Reorganization	...	3.27
Consol. Gas, 5-Yr., Sec., cv. 7s	1920	25.00	7.00	All	1922	500,000 shs. Com.	...	0.49
Cerro de Pasco, s. f., cv. 8s, '30	1920	8.00	8.00	All	to date	Cash	...	0.57
Diamond Match, s. f., deb. 7½s, '35	1920	6.00	7.50	All	1923	Cash	...	2.68
DuPont de Nem., deb. 7½s, '31	1921	35.00	7.50	All	1926	Cash and $10,000,000 Deb. Stk.	6.00	1.52
General Pet., s. f., deb. 7s, '31	1921	10.00	7.10	All	1925	1st s. f. 5s, '40	5.30	0.21
Gen. Am. Tank Car, eq. tr. 7½s, '31	1921	2.88	8.00	All	1926	50,000 shs. Com.	...	0.71
Glidden Co., 1st s. f. 8s, '36	1921	3.35	8.05	All	1925	1st s. f. 6s, '26-'40	...	0.22
B. F. Goodrich, 7% 5-Yr., cv. Notes	1920	30.00	7.40	All	1922	$20,000,000 1st 6½s, '47, in part	6.70	1.33
Granby Consol., cv., deb. 8s, '25	1920	2.50	8.00	All	1925	Cv., deb. 7s, '30	7.00	0.07
Kelly-Springfield, s. f., deb. 8s, '31	1921	10.00	8.05	3.50	to date	Cash	...	0.77
Kennecott Cop., Sec. 7s, '30	1920	15.00	7.25	7.00	to date	5% Promissory Notes	5.00	0.15
S. S. Kresge, 7% Ser. Notes, '22-26	1920	3.00	8.00	All	1922	Cash	...	0.06
Nat. Acme, 1st 7½s, '31	1921	5.00	7.75	All	1923	$4,000,000 7% Cum. Pfd., in part	7.00	0.79
Nat. Cloak & Suit, 8% cv. Notes, '30	1920	5.00	8.00	1.68	to date	Cash	...	0.27
Otis Steel, 1st s. f. 8s, '41, "A"	1921	5.00	8.10	All	1926	1st s. f. 6s, '41	6.10	0.24
Otis Steel, 1st s. f. 7½s, '41	1922	5.00	...	...	...	...	...	...
Packard Mot., deb. 8s, '31	1921	10.00	8.00	All	1923	Cash	...	0.30
Pub. Serv., N. J., Sec. 7s, '41	1921	10.00	7.10	All	1924	200,000 shs. Com.	...	0.64
Sinclair Cons., 5-Yr. 7½% cv., '25	1920	50.00	8.00	All	1922	Coll. tr., 1st ln. 7s, '37, Series "A"	7.15	0.19
Stand. Oil Calif., deb. 7s, '30	1920	25.00	7.00	All	1926	Cash	...	0.14
Stewart Warner, cv., deb. 8s, '26	1921	2.00	8.00	All	1922	Cash	...	0.27
Tobacco Prods., s. f., deb. 7s, '31	1921	4.00	7.00	All	1923	Cash	...	0.42
United Drug, cv., deb. 8s, '41	1921	15.00	8.00	All	1924	Deb. 6s, '44	6.00	1.30
Va. Car. Chem., s. f., deb. 7½s, '32	1920	12.50	8.00	All	1926	122.5% in 6% Participating Pfd.	...	0.04

An Article No Investor Can Afford to Miss

Short-Changing The Man With A Saved Dollar

National Price Stabilization Urged As a Necessary and Important Measure to Protect Value of Income and Investment

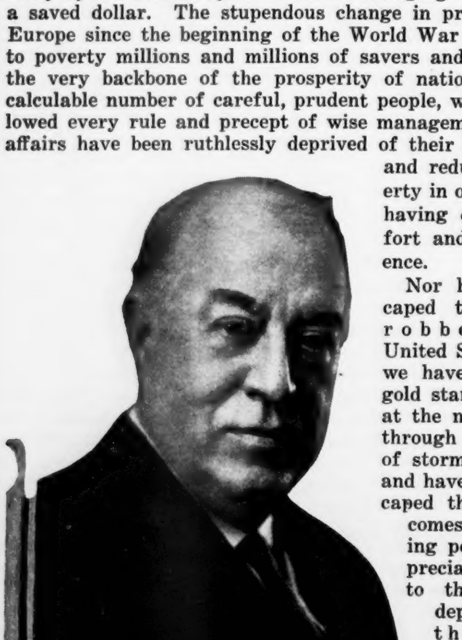
By Representative JAMES G. STRONG, of Kansas

(Author of the Bill to Instruct the Federal Reserve Commission to Stabilize Prices)

THE Constitution of the United States gives the Congress the power to coin money and "regulate the value thereof."

Merely to make gold the standard of value and determine how many grains of gold shall constitute a dollar is the exercise of the least part of that power. Indeed, doing so may not be regulating the value of money at all. To have a rigid number of grains of gold to the dollar without some counterbalance, when gold itself fluctuates in value, is confusion rather than regulation.

Idolatry of an unchanging gold standard has resulted in such a dizzy dance of prices that the thrift of the world's toiling millions has been frequently in vain. The savings of the lifetime of countless millions of people have been swept away by a universal system of short-changing the man with a saved dollar. The stupendous change in price levels in Europe since the beginning of the World War has reduced to poverty millions and millions of savers and investors—the very backbone of the prosperity of nations. An incalculable number of careful, prudent people, who have followed every rule and precept of wise management of their affairs have been ruthlessly deprived of their just reward and reduced to poverty in old age, after having earned comfort and even affluence.



Representative James G. Strong of Kansas

Nor have we escaped this colossal robbery in the United States. True we have kept the gold standard flying at the masthead through every sort of storm and stress and have thereby escaped the loss that comes from adding positively depreciated money to the negative depreciation that results from inflated prices measured by the standard. But we have suffered from unwarranted changes in the general price level.

That level is not a work of God or an inscrutable decree of economic law beyond the control of man. Because we adhered in the Twentieth Century to the economic ignorance and folly of savagery we have perpetrated such wrongs upon our people that every other form of misgovernment sinks into insignificance. It is true that we have not a worthless mark or a three-cent franc, but we have a 50-cent dollar in fact, although it is still a hundred cent dollar in the sense that gold and paper are interchangeable at par. The failure of our government to stabilize the price level has resulted in a wholesale transfer of wealth from the possessors of money and credits to debtors and speculators—from the thrifty and provident to the borrowers and adventurers.

Ruin of Agriculture

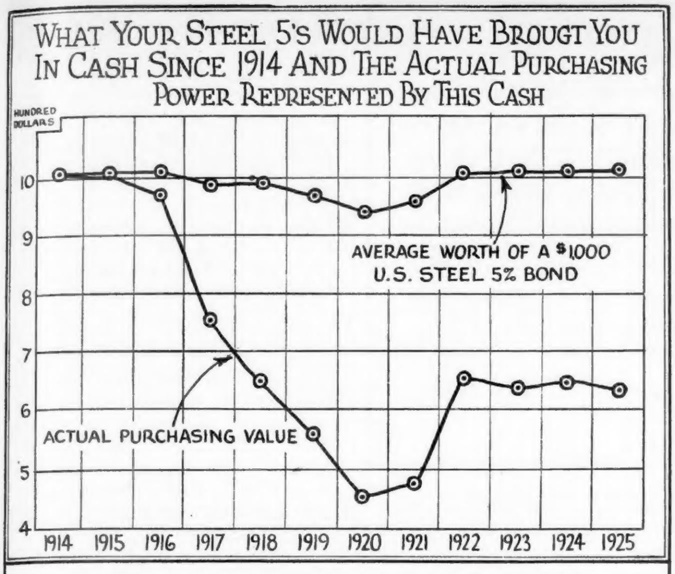
Dr. Willford King, economist of the National Bureau of Economics, the recognized authority on the wealth of the nation and national income says that this "robbery"—that is his word—amounted to not less than forty billion dollars between 1914 and 1920! This confiscation of wealth from its rightful owners resulted in economic chaos from 1916 to 1922. "The general discontent, the complaints of profiteering, the unrest among the laboring classes, the hardships of professional people, the industrial collapse of 1920, and the severe depression of 1921, were in large part merely the failure to stabilize the price level," says Dr. King. He might have added that it all but ruined the basic industry of agriculture.

It has been proposed to remedy this monstrous situation by regulating the gold dollar according to the changing price of gold; in other words, to substitute a price index level for the gold standard. There is another way—and that is to regulate or stabilize the price level itself. The value of gold changes with the cost of producing it, and as its value increases, the value of other things decreases. We cannot stabilize gold by law, but gold is not all of money and the value of money changes beyond the effects of changing costs of gold production. Prices are largely dependent upon the volume of currency and credit, and this dependent in turn upon conditions that are subject to artificial—governmental control.

Federal Reserve's Power

It is this conviction, shared by the majority of economists the world over, that led me to introduce a bill to authorize the Federal Reserve Board to undertake the stabilization of the general price level—a bill which has been the subject of much stirring of thought in the financial and economic worlds. Everybody knows that the board has enormous power over price levels. Who does not know that the board's credit policy was largely the cause of the enormous price inflation that culminated in 1919 and that an abrupt revolution of that policy in 1920 was the chief cause of the terrible deflation that followed?

The board did not realize its own terrific powers or un-



This graph shows that while, as gauged by the market price, U. S. Steel 5s, or any other good bond would have sold at an almost constant number of dollars, owing to the depreciated value of the dollar, however, the actual purchasing value of the bond, if sold, would have been far less.

derstand the machinery that was under its control. It was like a boy playing with a locomotive. It opened the throttle wide when it should have handled it gingerly and it closed it when we struck the hard going.

It has learned a lot since then and it is notorious that the Federal Reserve Banks are now regulating the price level through changing discount rates and open market operations. They are actually raising the price level by cheapening money, that is, by lower discount rates or putting out money; and increasing it raising the discount rate or increasing the demand for money by selling securities.

But the Federal Reserve people for some unknown reason born of inherited financial timidity refuse to admit publicly in so many words what they admit privately that they are doing and trying to do. They act hesitantly and spasmodically; they have not developed a policy. They are afraid or unwilling to exercise the power that is theirs in fact though not literally confided to them by law. Moreover, they are opposed to having the policy definitely established by Congress. They are afraid to have the law proclaim that they actually have the power they are incompletely exercising. They are not rising to their responsibilities and are slow to face their duty and their great opportunity. In such a situation they must have a mandate from Congress.

Therefore, my bill proposed to amend the Federal Reserve Act so that the Federal Reserve Board and the Federal Reserve System shall use all its powers to the end that, so far as may be, inflation and deflation shall be avoided, and the stabilization of the general price level secured. It is proposed to amend the preamble of the Federal Reserve Act, so that it shall read:

> *"An act to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to maintain the gold standard and the value of gold, to avoid inflation and deflation, to provide business and economic stability, to afford means for rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes."*

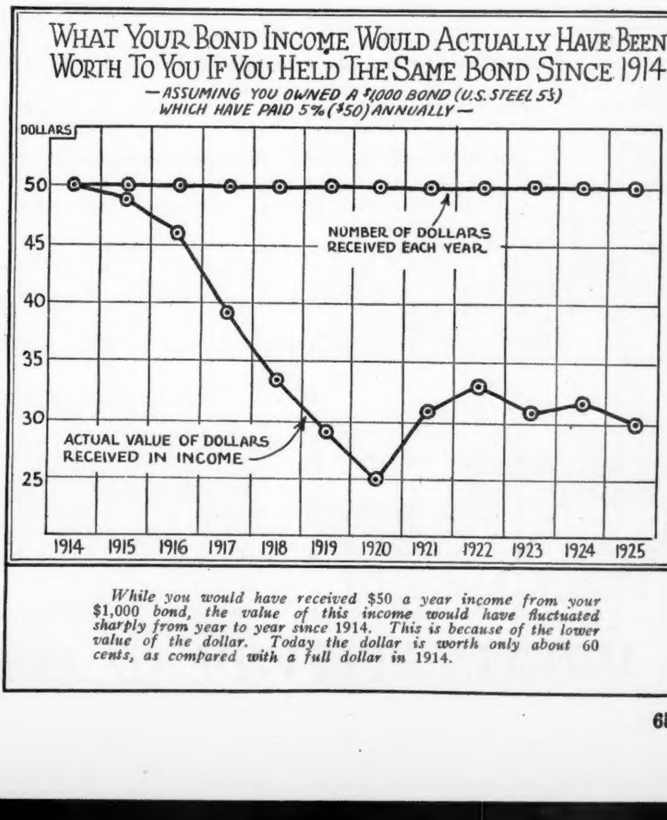
Notice that our attachment to the gold standard is maintained.

Then, the two following paragraphs are inserted at appropriate places in the act:

> *"All the powers of the Federal Reserve Board as granted by this Act and of all Federal reserve banks, committees, commissions, boards, agents and servants under its directions, supervision and control, including the open market operations and other activities, shall be directed to the purpose of preventing inflation and deflation and stabilizing the purchasing power of the dollar, so far as may be; provided that such powers shall be used to control the total volume of credit and currency in circulation and use, rather than the use made of such credit; and provided further, that the Federal Reserve Board shall make a detailed and exhaustive study of all available plans, methods, devices and means known to economic science, to bring about the complete stabilization of the dollar in its purchasing power, and shall report to the Congress, in its discretion, the results of such study, and shall recommend to the Congress any legislation in its judgment necessary and proper to permit said Federal Reserve Board to bring about such stabilization.*
>
> *"It is hereby declared to be the intention of the Congress that the primary function of the Federal Reserve System shall be to stabilize the general price level by stabilizing the purchasing power of the dollar, so far as may be possible consistent with sound economic principles."*

In the hearings that the House Committee on Banking and Currency has given to these proposed amendments for several weeks they have been discussed by a host of the leading financiers and economists of America and even some foreign authorities. Nothing has developed to affect my belief in their essential soundness. Their verbal form is subject to change, and I have invited and received specific suggestions, in answer to a circular letter to that end, from most of the authorities who have testified before the committee.

Opponents of my bill have sought to cast discredit upon it by contemptuously calling it a price-fixing measure. Nothing of the sort is contemplated; the prices of individual commodities, as they respond to supply and demand, are



While you would have received $50 a year income from your $1,000 bond, the value of this income would have fluctuated sharply from year to year since 1914. This is because of the lower value of the dollar. Today the dollar is worth only about 60 cents, as compared with a full dollar in 1914.

entirely with the objectives or possible control of such a law. The general price level—that is, the purchasing power of the dollar—however, changes only with some fundamental variation in the relation of money as a whole to commodities as a whole; and may have no true economic cause.

> *"An incalculable number of careful, prudent people, who have followed every rule and precept of wise management of their affairs have been ruthlessly deprived of their just reward and reduced to poverty in old age, after having earned comfort and even affluence."*
>
> **For an explanation of this statement, read this article**

If anybody believes that the measure of value—the dollar—should be standard and unchanging then he is for stabilizing the general price level. A certain banker, knowing that I am myself what might be called a substantial citizen, remarked to me that he could not understand how I could be for such a "dangerous doctrine" as that of the stabilization through governmental action of the general level for prices. In reply I asked him if he wanted his dollars to be worth as much ten years hence as now. He replied in the affirmative. "Then," I answered, "you are for price stabilization but under another name—and that is the steady purchasing power of the dollar in terms of commodities in the aggregate. Think it over." That's all we are after—and the soundest economists say we are right—a dollar that will always be a dollar—a dollar by which the prices of given commodities can be accurately measured. What would you say of a yardstick that varied in length with the demand for wood? Well, our measure of prices changes constantly with the need of money; we want one that will be as near fixed as possible.

A Reliable Dollar

I grant that the great speculators and those who have their fingers on the purse-strings of the nation's business may not prosper as much as they have if they are deprived of opportunities to amass wealth—somebody else's—through a fluctuating dollar, such as they have had from time immemorial. But the man who saves to invest has everything to gain from a reliable dollar. He doesn't save and invest to accumulate dollars and have them earn mere dollars for him, but to increase his actual or potential ownership of the substantial things of life. In this laudable and generally beneficial purpose he is foiled and really robbed if his $1,000 bond is paid back to him in 50-cent dollars, measured by their general purchasing power, or his 6% interest drops to 3% in effect.

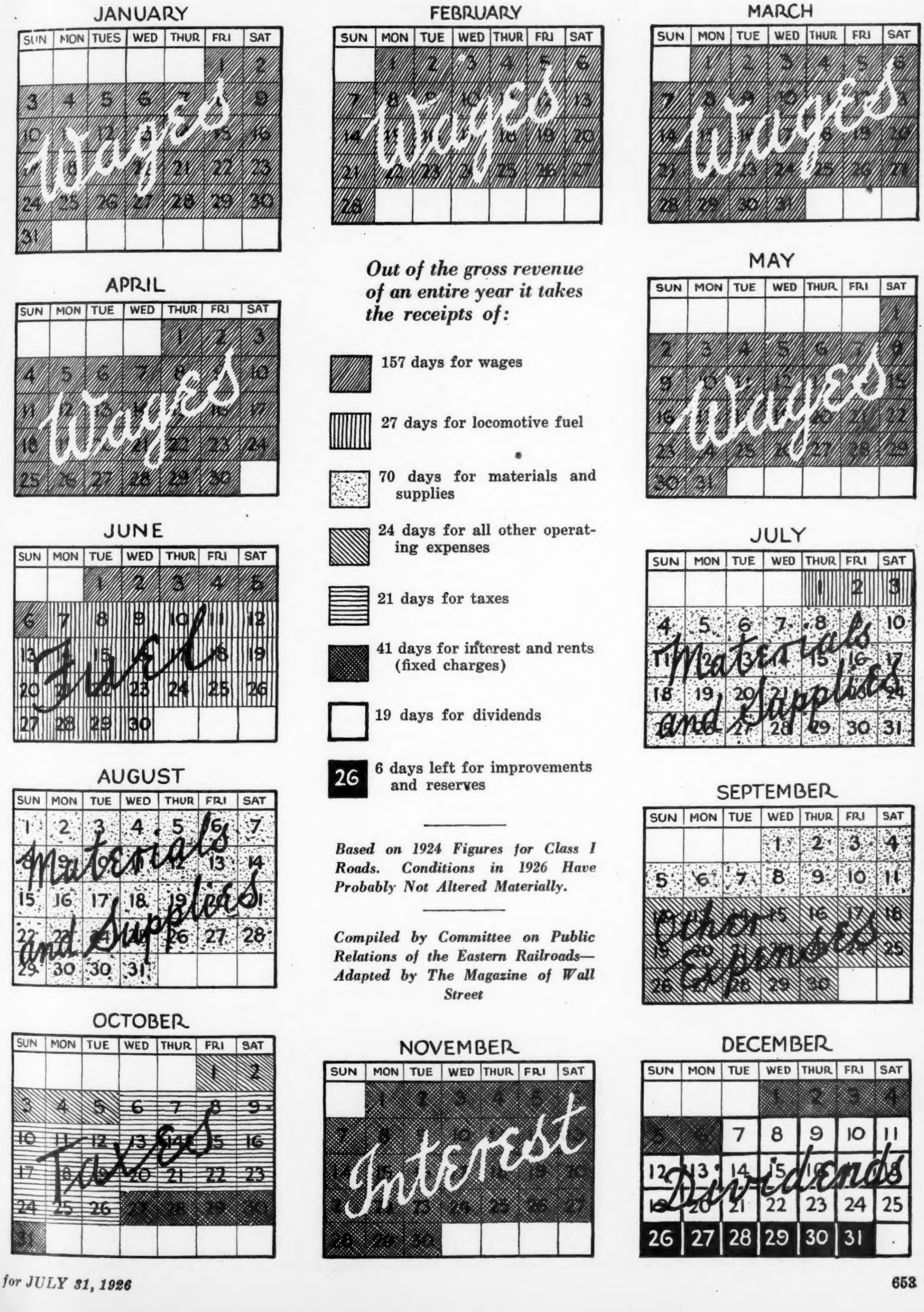
The stability of purchasing power can be in a large measure attained by adjustment of the circulating volume of auxiliary money; and the Federal Reserve System can do that, and is doing it with the cordial approval of the very people who oppose a definite declaration of national policy in that direction. The system is today demonstrating that it is possible to maintain a happy mean between too much money and credit and too little—that is, steady the purchasing power of the dollar with respect to commodities as a whole. That is nothing in the world but price stabilization. The system should make that project its supreme duty.

Hence, it should concentrate all its wisdom and all the wisdom it can summon to its assistance to maintain a steady general price level, and in research to ascertain and inform Congress of what further power, if any, are necessary to a solution of this fundamental problem.

The proposed reform is essentially an effort for the relief and equitable treatment of investors, for the defense of thrift, and insurance that what is earned laboriously and saved with deprivation shall not be lost by the present destructive shifting of a general price level that is largely within the control of an adequate banking system intelligently directed for the general welfare.

How Railroad Income Is Distributed

1926



Out of the gross revenue of an entire year it takes the receipts of:

- 157 days for wages
- 27 days for locomotive fuel
- 70 days for materials and supplies
- 24 days for all other operating expenses
- 21 days for taxes
- 41 days for interest and rents (fixed charges)
- 19 days for dividends
- 26 — 6 days left for improvements and reserves

Based on 1924 Figures for Class I Roads. Conditions in 1926 Have Probably Not Altered Materially.

Compiled by Committee on Public Relations of the Eastern Railroads—Adapted by The Magazine of Wall Street

How to Invest $25,000

Par Amount	BONDS Name of Issue	Mkt. Price	Cash Needed	Annual Income	REMARKS
$2,000	Baltimore & Ohio 5s, 1995	98	$1,960	$100	Secured on practically all the property subject to prior liens. Earnings steadily increasing. Interest on funded debt currently covered nearly twice over.
2,000	U. S. Rubber 5s, 1947	94	1,880	100	Sound industrial investment. Secured on extensive properties subject only to small prior lien. Protected by ample restrictions regarding maintenance quick assets.
1,000	Great Northern 7s, 1936	113	1,130	70	Ranks among the high grade railroad issues. Secured on entire property, including 7675 miles of road, terminals, leases, etc. and on C. B. & Q. stock holdings.
1,000	Standard Milling 5½s, 1945	101	1,010	55	First mortgage on part of property, mortgage subject to prior liens on remainder. Protected by wide margin of earnings and assets far in excess of bonds.
1,000	Third Avenue 4s, 1960	64	640	40	Large equities in property. Even subnormal earnings occasioned by continuance of 5 cent fare sufficient to cover interest charges more than twice over.
1,000	Amer. Water Works & Elec. 6s, 1975	95	950	60	Not secured by mortgage, but company enjoying increasing prosperity. Net tangible assets twice entire funded debt, and interest covered by fair margin.
1,000	N. Y., Chic. & St. Louis 5½s, 1974	104	1.040	55	Highly prosperous railroad system. Bonds are mortgaged on all property subject to prior liens. Interest on all funded debt currently earned 2½ times.
	Total		$8.610	$480	Income yield, 5.6%.
	PREFERRED STOCKS				
10 shs.	Schulte Retail Stores 8% Cum.	117	1,170	80	Strongly entrenched tobacco chain store enterprise. Preferred dividend earned about 8 times over. Business steadily expanding.
10 shs.	Mack Trucks 2nd 7% Cum.	106	1,060	70	Rapidly expanding and soundly conducted commercial vehicle manufacturer. Earnings averaged $130 on 2nd preferred in last 3 years.
10 shs.	Public Service of N. J. 8% Cum.	121	1,210	80	Holding company whose subsidiaries supply practically all light, heat and power to northern section New Jersey. Stable earner. Territory undergoing rapid growth.
15 shs.	Hudson & Manhattan 5% Non-Cum.	78	1,170	75	Senior stock issue of the only N. Y. traction system not limited to a 5 cent fare. Growth in New Jersey population reflected in steadily increasing earnings.
10 shs.	Federal Light & Traction 6% Cum.	86	860	60	Well rounded public utility system operating in western states. Earnings on up grade. Preferred dividend covered over 5 times. Possibilities improved market position.
12 shs.	Wabash A 5% Non-Cum.	75	900	60	In splendid shape financially and physically. Position of issue might be further strengthened by consolidation. Participates with common in dividends over $5.
	Total		$6.370	$425	Yield 6,.7%.
	COMMON STOCKS				
20 shs.	American Tel. & Tel.	142	2,840	180	No investment list complete without this premier investment common stock. Adjustment in market incidental to recent stock increase provides opportunity for purchase.
10 shs.	Electric Storage Battery	84	840	50	Long record of prosperity and continuous dividends. Scope of operations enlarged through radio. Extra dividends bring up actual yield.
10 shs.	Allis-Chalmers	89	890	60	Inherently sound business in manufacture industrial machinery and electrical equipment. Growth in business gradual and steady rather than spectacular.
10 shs.	Southern Pacific	107	1,070	60	Still well behind the market for standard railroad issues. Could easily support 7% dividend rate. Conservative capitalization and excellent financial condition.
10 shs.	Continental Can	82	820	50	Second largest manufacturer of tin cans and other containers. Steady progress in earnings not yet fully discounted. Additional extra dividends probable.
10 shs.	American Steel Foundries	43	430	30	Diversified railroad equipment business. Replacements and repairs counteract fluctuating demand for original equipment. Well entrenched financially.
15 shs.	Southern Railway	117	1,755	105	Remarkable property built up through industrial growth in South and reinvestment of earnings. Future should bring improved capital balance and market appraisal.
10 shs.	American Smelting & Refining	136	1,360	70	Largest and most diversified mining interests in the world. Stock subject to fluctuations but not overvalued in view large earnings and improvement in metal situation.
	Total		$10,005	$605	Yield, 6%.
	Grand Total		$24,985	$1.510	Yield, 6%

The total yield of 6% is without regard to bond maturities or extra dividends which may be reasonably expected in the case of several of the common stocks.

How to Invest $10,000

Par Amount	BONDS Name of Issue	Mkt. Price	Cash Needed	Annual Income	REMARKS
$1,000	Baltimore & Ohio 5s, 1955	98	$980	$50	Provides the best opportunity among bonds legal for savings banks. Strong security and increasing margin of earnings render them a good foundation for list.
1,000	U. S. Rubber 5s, 1947	94	940	50	Increases average yield without sacrifice of security. Substantial property value and restrictions regarding maintenance of assets place issue in strong position.
1,000	Standard Milling 5½s, 1945	101	1,010	55	One of foremost industrial issues available from combined point of view of yield, earnings and assets.
1,000	N. Y., Chic. & St. Louis 5½s, 1974	104	1,040	55	Although subject to prior liens, the strong earnings position of road renders issue suitable for conservative investment list.
	Total		$3,970	$210	Income yield, 5.3%.
	PREFERRED STOCKS				
10 shs.	Mack Trucks 2nd 7% Cum.	106	1,060	70	Unusually attractive yield considering importance of company in essential and growing industry, and the wide margin of earnings.
10 shs.	Public Service of N. J. 8% Cum.	121	1,210	80	One sound public utility preferred issue of this type advisable for well-rounded investment list. Noteworthy for stability and gradual up trend in earnings.
15 shs.	Wabash A 5% Non-Cum.	75	1,125	75	Not an issue of highest grade, but present position of road warrants inclusion. Participating feature may eventually prove valuable.
	Total		$3,355	$225	Yield, 6.7%.
	COMMON STOCKS				
10 shs.	Amer Tel. & Tel.	142	1,420	90	Strong investment qualities render issue suitable even for moderate investment fund. Yield indirectly increased through rights issued from time to time.
15 shs.	Electric Storage Battery	84	1,260	75	Sound position and demonstrated ability to pass through depressions with only negligible impairment of earnings. In line for extra payments.
	Total		$2,680	$165	Yield, 6.2%.
	Grand Total		$10,005	$600	Yield, 6%.

The total yield of 6%, as in the preceding plan, is without regard to bond maturities and possible extra dividends.

How to Invest $5,000

Par Amount	BONDS Name of Issue	Mkt. Price	Cash Needed	Annual Income	REMARKS
$1,000	Baltimore & Ohio 5s, 1995	98	$980	$50	Well adapted to the needs of the small investor due to the large equities, increasing earnings, and higher yield than obtainable in most high class rails.
1,000	Standard Milling 5½s, 1945	101	1,010	55	As high a yield as can be expected from an industrial security of this type so well protected as to both earnings and assets.
	Total		$1,990	$105	Income yield, 5.3%.
	PREFERRED STOCKS				
10 shs.	Public Service of N. J. 7% Cum.	109	1,090	70	Growing population of northern New Jersey serves to enhance substantial equity behind this issue. Ranks equally with 8% preferred except as to size of dividend.
10 shs.	Mack Trucks 2nd 7% Cum.	106	1,060	70	Selling at attractive level by reason of callable price. Out of line with 1st preferred, also 7%, in view wide margin of earnings for both.
	Total		$2,150	$140	Yield, 6.5%.
	COMMON STOCKS				
6 shs.	American Tel. & Tel.	142	852	54	Provides a sufficient measure of safety to be adapted to the requirements of the small as well as the large investor.
	Grand Total		$4,992	$299	Yield, 6%.

The total yield, as was the case with the larger investment funds, is approximately 6%.

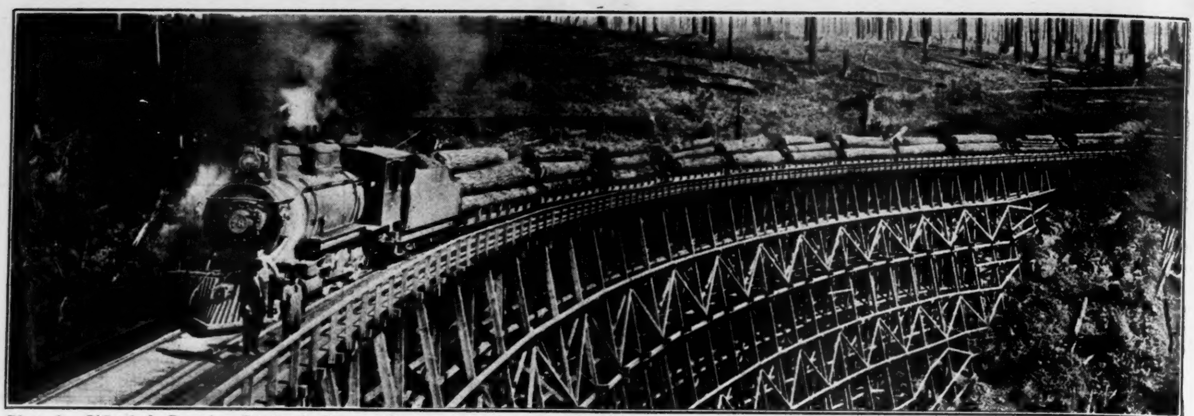


Photo by Gifford & Prentiss, Portland, Ore. *Courtesy U. S. Forest Service*

An Echo of Old Time Railway Buccaneering

The Ghost of Northern Pacific's Land Grant Reappears—How a Clerk's Error May Have Paved the Way for a $100,000,000 Loss to the Company

By THEODORE M. KNAPPEN

[*This amazing "story" of railway exploitation in the days of old is obviously an ex parte presentation of the Government's side of what is certain to become a cause celebre. There is another side.—Editor.*]

ONE can easily visualize Josiah Perham in high black hat and long-winged collar smiling unctuously, and yet with dignity, as he sold the Northern Pacific for $102,000 back in the sixties. It's a $700,000,000 job now, but as it was then nothing but a charter floating on Josiah's promotional verbosity, that fine type of mid-nineteenth century promoter considered himself well paid.

Josiah's ventures in railroading and high finance have recently come to light through the laborious investigations of a joint committee of Congress which has produced 6,000 pages of testimony and exhibits and is now trying to ascertain what it has found out about the colorful romance of the Northern Pacific land grants. The occasion of this ponderous and deliberate investigation was the demand of the Northern Pacific upon the Department of the Interior that it finally wind up the road's land grants by patenting to it 3,900,000 acres of National Forest land.

This demand proved to be a boomerang and one loaded with dynamite. When the boomerang rebounded from the Forest Service to the Northern Pacific it came as a demand for the railway to make restitution for all sorts of inroads upon the national good nature and natural resources up to something more than a hundred million dollars.

To be specific, the Department of the Interior, which includes the Land Office; and the Department of Agriculture, which includes the U. S. Forest Service, are demanding:

First: That the Northern Pacific shall be denied the whole of its claim for 3,900,000 acres of land, worth probably $40,000,000 or $50,000,000. Second: That it shall surrender to the United States some 6,000,000 acres of land long ago patented to it, with an assessed valuation of $48,000,000—and a real value of perhaps twice as much.

The joint committee was appointed by Congress nearly two years ago to deal with the conflicting demands of the railway and the departments. After it has digested the 6,000 pages of testimony it will propose an adjustment bill to Congress. And after Congress has adopted it, the Northern Pacific will probably pack its "rights" into court—and finally, several years hence, probably, the Supreme Court of the United States will say who is debtor in lands and dollars and how much.

That transpires because times have changed and the Land Office is not such an exploiter's paradise as it was in the good old days—and also because of D. F. McGowan. This McGowan is the lawyer Nemesis—officially an inspector of lands in the United States Forest Service—come to avenge the past upon the railway company—after somebody blundered and opened the door through which McGowan crawled back into that romantic, if malodorous, past.

He not only resurrected the long-lost Josiah Perham, the dream father of the Northern Pacific, and trailed him from his Maine birthplace to his first promotions in Boston, but unearthed the good Josiah's lobbying triumphs in Washington and his final exultant exit from the scene with $102,000 in exchange for the right of the Northern Pacific to be, that is, its charter from Congress. This was in dolorous 1864, and the nation's need of another transcontinental railway, and other Fourth-of-July stuff, and Josiah's need of cash were the factors that persuaded Congress to open the doors to the landed empire of the northwest. For that $102,000 Josiah turned over to J. Gregory Smith, old time railroader with axle-box grease on his hands, and eleven associates, the potential title to around 45,000,000 acres of land, which is nine times as much land as there is in all of Massachusetts, including Boston.

What a piker, after all, was Josiah, developed later when Smith and company did business with Jay Cooke as Northern Pacific financier. They gave Cooke $20,000,000 of the company's $100,000,000 of stock—all common—and a half interest in the remaining $80,000,000 to float a bond issue, but they frugally arranged matters with Cooke so that they got bonds covering the $8,500 of real money each put up to remove the patriotic Josiah from the lofty scene. After Cooke failed in the gloom of Black Friday and the crash of '73, the Northern Pacific was reorganized in 1875; and Smith *et al* came out of the process with the $49,000,000 of common stock, the bondholders getting the $51,000,000 of new company preferred stock. Thus the company's treasury never received a cent

from the disposition of $100,000,000 worth of stock, but in the language of agrarian agitators, millions of people are "paying tribute" because of its issuance.

Good old Congress had assumed that with a land grant of 45,000,000 acres the company would be able to raise cash from stock as well as land, and so rapidly complete the road—easily within the extended time limit of fifteen years. And McGowan crawling out of the dusty past in the Stinson Memorial Library in Harvard, where the extracted these and many other juicy tidbits of old time railway buccaneering from long lost documents (found in the Henry Villard papers), intimates that since the road thus failed to comply even at that early date with the terms of its contract it will take a lot of carbona to bring it into court now with clean hands.

But to get out of the fine ethical question of whether the original company was bound to raise capital with its capital stock, and get into the more tangible, but even more involved, problem of whether it subsequently earned its land grant and how much. According to the charter, which was also a contract that Congress granted to Perham and 116 named associates, mostly window-dressing names,—one of them being that of General U. S. Grant—the Northern Pacific Railroad Company was to get every other odd section (640 acres) of the public domain from its eastern terminus on Lake Superior in Wisconsin to its western terminus on the Pacific, in a zone forty miles wide in Wisconsin and Minnesota and Oregon and eighty miles in Dakota, Montana, Idaho and Washington, with a 400-foot right-of-way thrown in. This checker-board swathe was about 2,100 miles long. But it wasn't wide enough. It was found that settlers had "homesteaded" some of the odd sections and were occupying more whilst the railroad line was being located and the situation of the selection swathe was uncertain. And then there was the matter of mineral lands with miners staking claims on odd sections everywhere.

So, liberal Congress later gave the company the right to compensate itself for occupied agricultural and all mineral lands in the original grant from the odd sections in two additional ten-mile "indemnity" strips for a part of the 2,100 mile route. Thus, throughout the then territories, the company had an actual or contingent right to all odd sections sixty miles on each side of line. This grant, said a Congressional committee report back in 1884, "was the most munificent of all the princely donations in the era of liberality to aid in the construction of railroads."

The grant was conditional upon the completion of the railroad by 1878. As a matter of fact, the trains were not running until 1883 and 225 miles of the originally designated line were never built at all. But nobody seemed to worry much about such trifles, and the process of patenting the odd section to the company has gone on until it has secured possession of more than 41,000,000 acres, of which it has disposed of all but 6,000,000; and now it demands 3,900,000 acres more. Maybe this demand eventually will be arithmetically whittled down by agreement to 2,700,000 acres, because of errors in computation, Indian reservations, overlapping of the selection zones, etc., which it is not necessary to explain; and Congress may conclude that the whole claim is indefensible, even assuming full compliance by the company with the conditions of the grant.

If the company gets the 2,700,000 to 3,900,000 acres they must come out of the National Forests, there being no other odd sections now available. Since the creation of these forests, beginning in 1890, it has been the policy of the Department of the Interior to refuse to patent to the railway company any of the odd sections lying in the "indemnity" zones. But six years ago,

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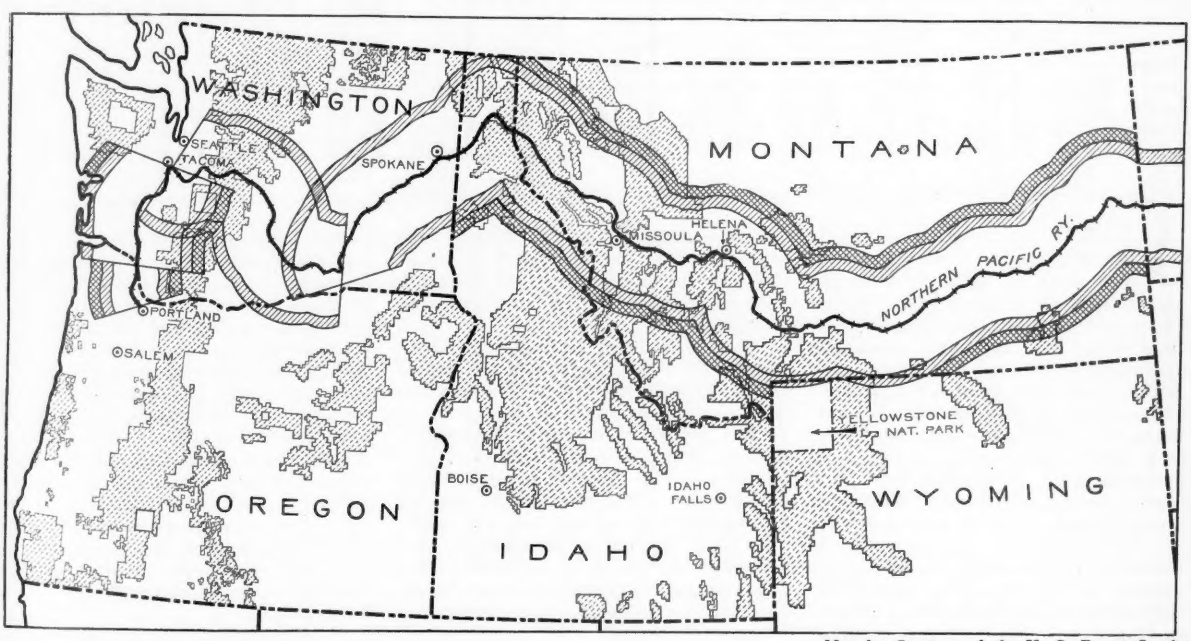


Map by Courtesy of the U. S. Forest Service

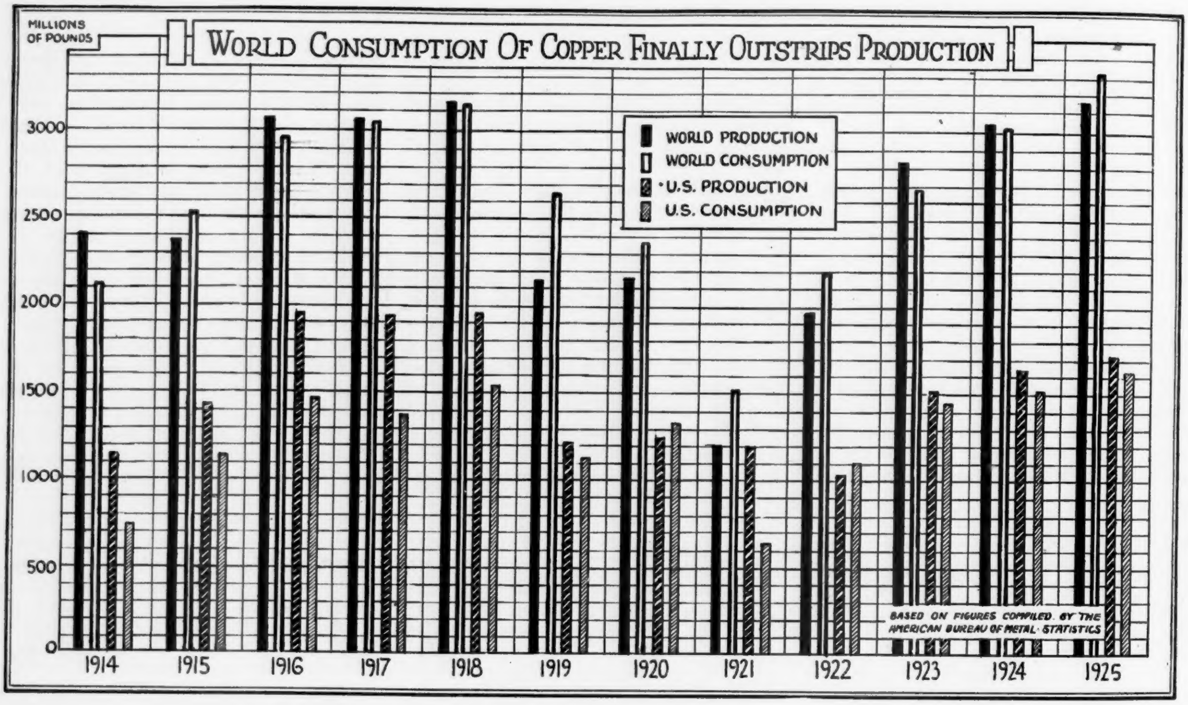
The Northern Pacific's Imperial Land Grant

THIS map shows the location of the main line of the railway and its parallel land grant zone—120 miles wide—in the region affected by the Congressional investigation. Eastward from the Montana line the grant was equally wide across North Dakota, but the outer (checker-hatched) ten mile strips in that state were never invoked, the same is true of Washington. The outer strip did not apply to Minnesota, Wisconsin and Oregon. The white zones next the railway line—20 mile on each side—and the cross-hatched zones—each 10 miles wide—applied all the way from the Wisconsin terminus on Lake Superior to the Pacific Ocean. In the white zones—the original grant— the company received every odd numbered section of land except mineral land and antedating rights. To compensate for these exceptions the company received the right of lieu, or "indemnity," selection in the two outer zones on each side. The present controversy turns on the company's demand for such lieu selections to the extent of 3,900,000 acres in the National Forests, whose location is indicated by the broken cross-hatching. As the longer the line the more the land grant, note the circuitous location across Washington. The direct line to Portland 225 miles was never built, as contemplated by Congress.

A Silent Revolution in Copper

Important Companies Exerting Powerful Influence Toward Stabilization—Can the Industry Hold Its Own with Other Basic Industries?—Market Aspect for This Group of Stocks

By G. F. MITCHELL



A SILENT revolution has been in progress in the copper industry. The situation might be compared to the face of a clock. The minute hand, representing transitory surface conditions, has remained practically stationary in the last few years.

The price of copper metal, in spite of optimistic prophecies reiterated each year, has failed to reach the 15-cent level since 1920 except for a brief period in 1923. The hour hand, however, denoting fundamental conditions, the movements in which are imperceptible at close range, has gone steadily forward, a fact which is readily apparent upon examination of the accomplishments of the leading producers in face of a copper market consistently below pre-war figures.

Copper is almost the only basic commodity which is not selling well above the levels ruling in the period immediately preceding the war. The principal reasons are to be found in the protracted effects of the large surplus stocks on hand at the conclusion of the war, overproduction of refined copper resulting in a buyers' market and refusal to make forward commitments on any extensive scale, and a continued sub-normal export demand for the metal.

The export situation is the most important of these factors. Before considering it in greater detail, it would be well to observe what the industry has accomplished with conditions as they are.

In 1925, a dozen leading copper producers showed an aggregate net income more than double that of the previous year. The explanation is not to be found in any similar rise in the price of copper metal or in the volume of production. The former averaged only 8.7% above 1924, whereas the amount of copper produced was only 4% greater. With external factors exerting such a minor influence, it is evident that the marked improvement must be attributed to revamping from within in a manner to provide lower costs through greater operating efficiency.

There is no question that the technical progress made in leaching, smelting, and concentration has been far reaching, enabling such operations to be carried on more efficiently than at any time in recent years. It has required a lesser tonnage of ore to yield a given output of copper.

There is likewise evidence that the industry, through the medium of the larger companies, has been working towards a greater balance between production and consumption. Keen competition and lack of co-operation have always been obstacles in the way of any sustained prosperity. The temptation to make hay while the sun shines by producing more than the traffic will bear upon any bulge in the copper market, especially on the part of the smaller and higher cost producers, has usually been too strong to resist. There are unmistakable indications, however, despite the absence of any express agreement to that effect, that the important companies are exercising a powerful influence towards stabilization, in the belief that a steady market even around the 14-cent level is more conducive to the welfare of the industry than a market which is undergoing continual fluctuations.

It is estimated that among the producers supplying the bulk of the output there was an unutilized capacity in 1925 of at least 25% despite the record production of that year. This would indicate a tacit realization on the part of the leading interests that little good and much harm will result from depleting ore reserves and increasing surplus stocks until such time as export demand assumes proportions sufficient to give promise of a more or less permanently higher market level for the metal. It is no longer a race to see which particular company can bring to the surface the greatest amount of potential cop-

per. It is rather a uniform effort to adjust production to current needs, and the gradual decline of stocks on hand goes a long way in attesting to the existence of this desirable change in policy.

Pending a definite change for the better in the foreign situation, it would seem only necessary for the present adjustment between consumption and production to be maintained, and for any material recession in price from the 14-cent level to be prevented, to enable the important copper producers to enjoy a fair degree of prosperity. This, it is true, is not the material to provide an old-fashioned boom in copper stocks, but under present conditions stabilization is much more to be desired than a boom based on anything other than a firm foundation.

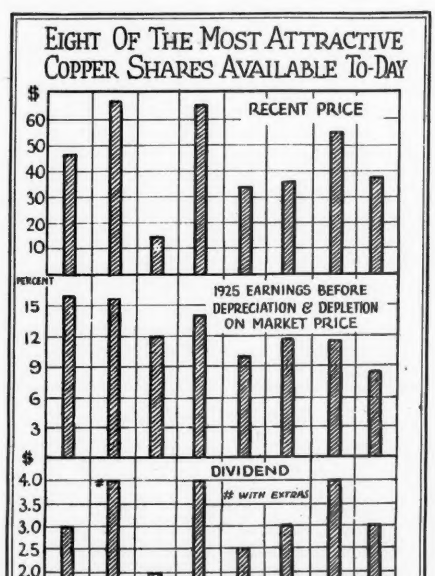
In this connection it is important to note that new conditions have arisen as a result of a fundamental change in the character of the industry. It is only within comparatively recent years that copper production on any extensive scale at a cost of 8 cents per pound or less has existed. What was once considered a low cost producer is now a medium cost producer. Companies in the 8-cent class in this country are rare. Magma Copper Co. is a notable example. Such properties for the most part are the result of the development of large copper deposits in South America. Among the foremost low cost properties in that continent are Cerro de Pasco, located in Peru, and Chile and Braden, both situated in Chile, the former controlled by Anaconda and the latter by Kennecott.

The lowering of the standard of copper costs has brought about a situation whereby the interests behind 8-cent copper producers have little reason to look with favor on a runaway copper market with its attendant increase in world production. In addition to the natural advantage of being able to operate with some profit under almost any conditions, it is also true, contrary to the general impression, that they do not stand to benefit from a rising market in the same manner as medium or high cost producers. A simple mathematical example will make this clear. Assuming an advance in the price of the metal from 14 cents to 16 cents, a company operating at a cost of 12 cents will double its profits, whereas a company operating at a cost of only 8 cents will derive a margin of profit of 8 cents per pound as against 6 cents previously, an increase in profits of only 33.3% compared to 100%. It is reasonable to believe, therefore, that there is at least some important influence exerted in favor of a continuation of the present market status.

The question as to when copper metal may be expected to advance permanently above the 14-cent level is largely tied up with the export situation. It is pretty well demonstrated that the industry cannot look forward to an increase in domestic shipments sufficient to absorb any material proportion of the surplus production now remaining after this country's needs have been satisfied. There has been no complaint on the score of domestic demand which continues at record proportions. It is simply that foreign consumption falls far short of requiring the same percentage of United States production formerly prevailing. There is little doubt that most European countries are far behind in their copper requirements, but until their financial difficulties are adjusted and political uncertainties diminish, it is impossible for them to inaugurate imports on as extensive a scale as would be desirable.

In an effort to place foreign business on as sound a basis as existing conditions will permit, a serious attempt to revive the Copper Export Association has been under way for the last few months. This represents the outstanding development of a specific nature that has occurred in the recent past.

A similar association formed after the close of the war has for all practical purposes been a dead letter for some time past. The principal difficulty was lack of 100% co-operation on the part of those ostensibly endorsing the movement. As has been the case so frequently in all kinds of trade associations, especially in their formative stage, a willingness to lend support when conditions were favorable was nullified by the tendency to shade prices whenever the sailing was not so smooth. Such action, of course, could only lead to dissension among the leading interests in the industry.



Under the old plan, financing was arranged by the sale of 40 millions in Copper Export Association notes, for which the collateral was 400 million pounds of copper at 10 cents per pound, earmarked for export. Operation under the new plan will probably be along similar lines. Stress will be laid upon profiting from past experience and avoiding the pitfalls which resulted in the collapse of the old association. The plan has been submitted to producers for individual approval, and, according to reports, every important American producer outside of Miami Copper has indicated a willingness to lend full support.

It is by no means unlikely that the organization of the present movement will be attended by a far greater measure of success than was the case before. In the first place the copper export situation has become so acute that there has been a growing realization that some definite action is absolutely essential if copper is going to hold its own with other basic industries. Then again, the policy of maintaining production well within the bounds of capacity without any express agreement to that effect, and the introduction of operating economies on a large scale, all seem to indicate that producing interests will be more amenable to co-operation in any movement intended to promote the welfare of the industry. A further reason for optimism is the probable support by prominent foreign producers including the famous Katanga interests.

The time at which the new association will commence operations is not as yet definitely known. Originally scheduled for June, the matter has been held in abeyance probably until the early autumn in order that no detail instrumental to the success of the venture will be overlooked. It is necessary to wait for its actual functioning before the details of operation can be learned, but a primary object, will, of course, be to establish credits for the financing of exports. It is hoped to control and stabilize the export market through pooling sales for foreign account. The undertaking is being carried out under the provisions of the Webb-Pomerene Act, and a sincere attempt is being made to work in complete harmony with government authorities to the end that there will be no question of legality once the plan is functioning.

It would not be accurate to assume that nothing will develop to prevent the actual operation of this much to be desired association. It is a matter which requires very delicate handling, and while every care has apparently been taken to make success possible, it will be necessary to keep in line those producing interests already committed to the plan, which might conceivably present difficulties, especially if there should be an unexpected upturn in the copper market prior to placing the pro-

(*Please turn to page* 705)

MONEY, CREDIT & BUSINESS

What the Coming Harvest Holds for Business

Homely Truths Direct from the Soil

By ARCHER WALL DOUGLAS

THIS intimate view of agricultural conditions and their probable relation to business is written by one of the most acute observers in America. As former Chairman of the Committee on Statistics of the U. S. Chamber of Commerce, he made a nation-wide reputation for himself.

IT is always an interesting experience to get away for the time being from the study of business barometrics, and the often irrelevant interpretations which accompany them, and to be in touch with those homely but fundamental truths which come direct from the soil.

The many stories of general conditions which come to me at this time from the four corners of the country are mostly concerned with the weather and its effect upon the growing crops. It is a most kaleidoscopic affair, according as to whether there be sufficient sunshine, or enough moisture. For the rain still falleth where it listeth, as in the days of Solomon, and is often very freaky and uncertain about it. In the main, however, the weather was most favorable in June and July, and in general throughout the country, and the promise of the harvest is of most encouraging nature. This is particularly true if we take into account all that long roll of agricultural products which make up the story of farm commodities today.

The Toll Of Little Things

The five southwestern counties of Missouri are rejoicing that rain came in time to save their strawberry crop and to enable them to make up their usual quota of about 1,000 car loads, worth around $1,000,000, and that will be a very sizable proportion of the income of a good many people in a good many townships. Yet, Tennessee will double these figures, and, like another Abu Ben Adheim lead all the other 26 states who are raising strawberries as a commercial proposition for shipment outside of their own borders.

Another page of this story of fruits and vegetables that I have just finished is that of Aroostook county, northern Maine, which cast about for some substitute for income in place of the white pine forests which are mostly gone, and have left nothing in their place, nor any wide extended plans for reforestation. Irish potatoes fill the bill, on the whole, except when the production is so large and the price consequently so cheap that it does not pay to dig them. This actually happened two years ago, and was an ironic comment on that little fiction of theoretic economics that there is no such thing as overproduction of the necessities of life, but only underconsumption. The whirligig of time brought an abrupt facing about in the history of potatoes in 1925, for the production was very small, and prices soared accordingly. Aroostook county had a moderately good crop, but got such prices for it as to pay off the debts of several years 'standing.

Control of Production

It is examples like these that have caused the ambition of the farmer to concentrate for the time being on the problem of how to control output, as so many lines of industrial life have succeeded in doing. As this is a most difficult matter, because of the uncertainties of weather and of insect damages, there is the further thought of control of prices and of distribution as the latter naturally implies the former. Reports from the Corn Belt stress the fact that corn maintains fairly stable prices in the face of a very moderate demand because of the far better financial opportunity that the farmer now has for borrowing money for such purposes. Only a few years ago the market for corn would have gone to smash under such conditions. So this phase of orderly marketing is likely to grow.

Local Pride Grows Apace

It is characteristic of the present day that every existing thing finds its apologist, or its eulogist, even unto the flapper. A constructive form of what is sometimes misdirected enthusiasm is found in the fashion in which every section and every locality is seeking to advertise itself and its advantages. The principal form which such ambition is assuming is for the village or city first to have something worth while to talk about, and to tell the world that the great city is not all it is cracked up to be. Coincident with this is the general realization that the large centers are becoming unwieldy and over expensive for some forms of production and distribution.

The first ambition of every small town or city—to get a factory located there—is often being fulfilled because of the manifest advantages of economy, a practical absence of labor troubles, and a smaller wage scale combined with efficient labor. This accounts for the continued growth of cotton mills from the Carolinas to Texas in small municipalities, and for branch factories of shoe manufacturing all through the central west. Observers tell of the consequent building up of the surrounding country because of the additional market afforded for farm products, and of the growth of the little town because of the impetus given by the local factory.

Another form of excusing or finding good in certain prevalent customs is that of ignoring their manifest evils, and of seeing only those few things in which they are advantageous. Installment plan buying is one of these, and the serious effect it has upon collections and general buying is commented upon by observers as far apart as in Rhode Island and Montana. The homely proverb is quoted that some day it will all come out in the wash, and those many unwise buyers who have been

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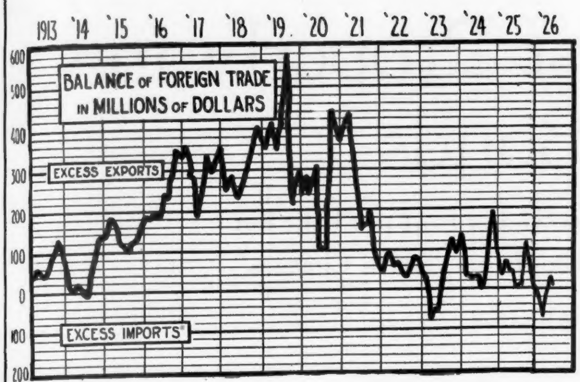
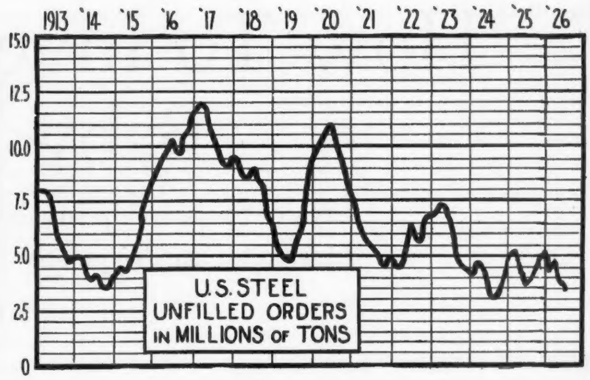
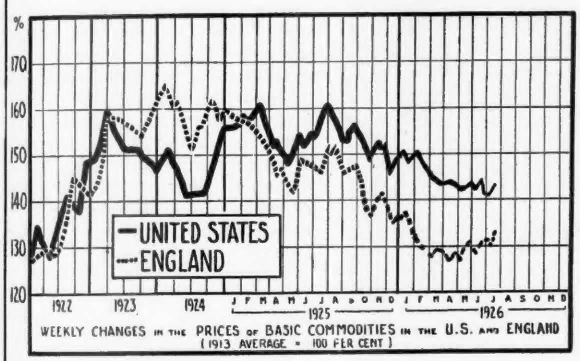
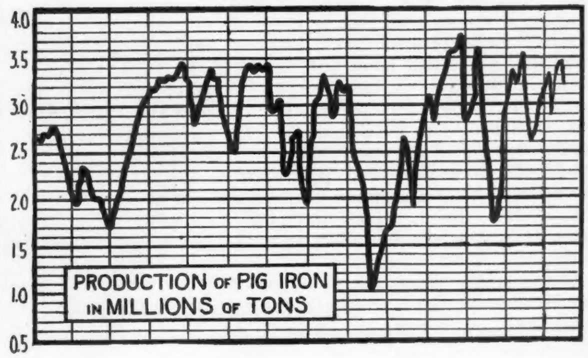
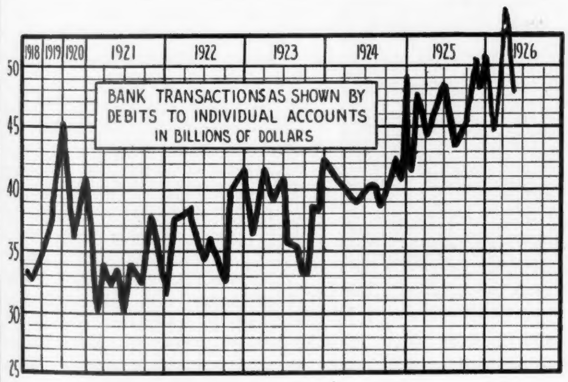
THE TREND OF MANUFACTURE, TRADE & COMMERCE

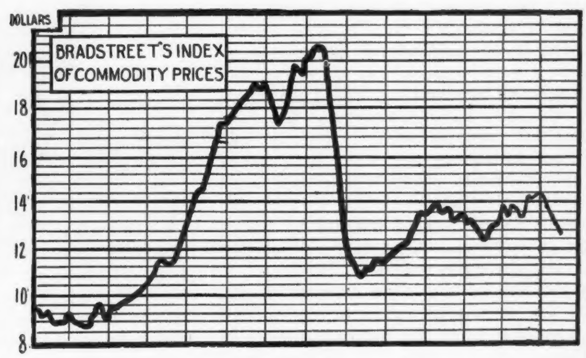


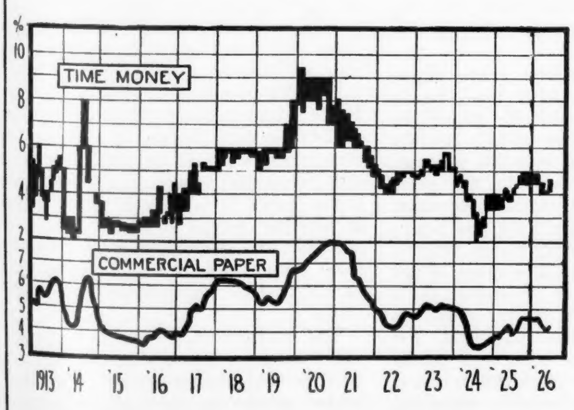


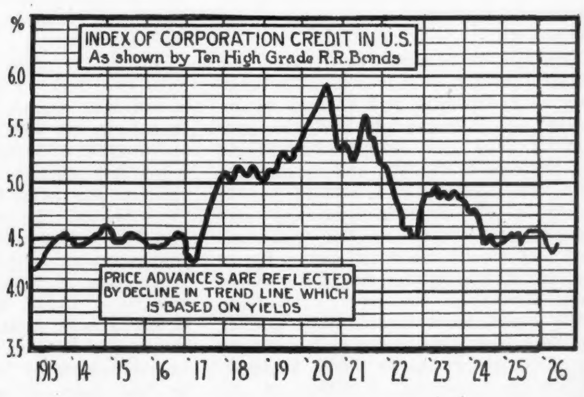












BONDS

How To Invest Properly in Baby Bonds

Lack of Sponsorship Involves Higher Cost per Unit but Investors Can Frequently Avoid the "Extra Charges"

By JOHN BARKLEY

WALL STREET designates $100 and $500 units of bonds with the homely title "baby bonds," whereas it might have just as accurately been termed "war babies," for the small bond unit is really a product of the recent war. The $100 units of industrial railroad and public utility bonds now held by many thousands of small investors throughout the country have a common ancestor in the Liberty Bond, which occupied a place in everyone's financial wardrobe during the World War.

These small loans, advanced to the government in time of need by many thousands of investors, swelled the strong boxes of the Treasury Department in Washington by millions of dollars. No one had realized before this what tremendous wealth was represented in the savings of Americans of moderate means, which, if a suitable form could be provided, would materially aid our large industries in their financial requirements. During the period following the war, investment funds were not plentiful and the large investor was being driven out of the industrial investment market by heavy tax schedules. Naturally, in looking around for someone to fill the gap left by the exit of the large investor, bankers for our large corporations turned a kindly eye on the nation's legion of small investors and the millions that they were in a position to invest in the aggregate, if offered a suitable medium for doing so.

During this post-war period of money scarcity, very many of the large issues of domestic and foreign bonds floated in this market had the convenient $100 and $500 denominations for the small investor, and needless to say, the movement of securities into channels of investor-ownership was greatly accelerated by the numerous transactions in the small lots. Large banking firms reported that the average sale, shown by the records on their sales books, were considerably smaller in these years than at any previous time in the history of the bond business. While an important function of the "Baby Bond," as an institution in American finance, was to encourage thrift and conservative investment among the great numbers of our citizens, the investment banker freely admits now that many financially worthy concerns would have found it more difficult to secure desired accommodations, but for the presence of the small investor in the bond market.

But in the more recent years, times have changed. The $100 bond buyer is heard to remark pointedly about the fact that his welcome at the portals of the great distributing houses is somewhat less effusive than in the good old days just after the war. Like other "war babies," the baby bond has fewer and less enthusiastic sponsors than a few years ago when, as a class of investments, they were enjoying their hey-day. Their fall from grace is partly due to penalties, inevitable for the larger unit sales cost, and partly to the return of the wealthy investor to the field of industrial financing with lower tax rates. With the present plethora of funds available for investment, the millions of the small investors throughout the nation stand out less conspicuously than in the not distant past.

In theory, the $100 bond unit, is one-tenth of the $1,000 full unit and nothing else. Actually, however, the baby bond is sometimes a smaller income producing investment than the full $1,000 unit of which it is supposed to be an exact miniature. This differential is due to fundamental principals of merchandising which apply to the sale of bonds in much the same way that they apply to the sales of hats, shoes or any other commodity. From the merchandising standpoint here is how it works out.

The bond dealer buys and sells his wares on a smaller margin of gross profit than any other merchant, due principally to the fact that the unit of sale ordinarily represents a large sum of money. The cost of a $100 transaction, however, is exactly the same as a $1,000 or a $25,000 sale. It involves exactly the same amount of accounting detail, clerical work, office space and other expenses that go to make up overhead for the brokerage concern. As the business is conducted on a cash basis (as far as the broker is concerned, even on a margin or partial payment transaction) there is no advantage from the small sales such as smaller risk or credit accommodation. Naturally, the investment firm would prefer to sell in units of $1,000 rather than in lots of $100 for the gross profit in the former case is ten times as great and the actual cost of making the sale is the same in both instances. Stated in another way, the facts of the case are that the equivalent cost of a baby bond transaction is ten times as great as the cost of merchandising in $1,000 units.

The margin of profit in the investment business is too slim to stand any such increase in cost. During the days when industrial corporations were in dire need of the lendings of the small investor, the issuing corporation had no

alternative but to pay the cost, for the added cost was passed along to the borrowing corporation. Today financing costs are appreciably lower than they were a few years ago, the reduction being due largely to the fact that the average unit of investor-purchase is larger than heretofore, or to put it still more precisely, fewer baby bonds are being sold. While many of the large offerings of new securities are still put out in the convenient denominations of $100 and $500, the small investor is merely offered the opportunity to participate in the offering, and is urged to do so less and less emphatically as time goes on and investment funds increase in plenty.

But for the fact that bond houses have fixed an extra cost or "handling fee" on the purchase and sale of baby bonds, it is quite likely that the baby bond would fast become a relic of past history, same as other "war babies." Thus, in the above statement and the discussion that precedes, lies the answer to the question so frequently asked by the small investor—"Why am I charged a penalty on a baby bond purchase?"

There is a right and wrong way of doing everything, even including the prosaic pursuit of buying and selling baby bonds. The extra charges involved in the purchase of a $100 bond unit frequently run as high as two or three points over the equivalent market price of the full units in addition to the commission taxes, etc., which in the aggregate will make a serious inroad against the income to be derived from the investment. In attempting to solve the problem of the high cost of dealing in baby bonds, various dealers have adopted different practices. Some charge a point or two away from the market, plus one-tenth of the $2 commission on a full $1,000 unit; others charge a flat price (above the market) with no commission; a few bond houses have a minimum commission of $2 whether the order is for a $1,000 bond or for a $100 unit, and there are still others which have various combinations of the above. It can be seen that a maximum charge of $4 per $100 bond would be involved in some of these combinations which is two-thirds of the first year's coupon return on a 6% bond and makes an appreciable reduction in yield even when held over a period of years.

There are two obvious ways of avoiding these penalties, both of which are frequently recommended by bond houses. The first suggestion is to purchase a full $1,000 bond on the Partial Payment Plan, or on credit through the kind offices of your local banker. Many investors have gotten into the $100 bond habit because they have this approximate amount of money coming in at regular intervals and plan to accumulate ten of the $100 units with the aim of ultimately exchanging them for a $1,000 bond. A precaution should be noted here in that many $100 units are not transferable for $1,000 units and the exchange in this case must be arranged by selling the baby bonds (at a price under the market) and using the proceeds to buy a $1,000 unit at its current market quotation. A more advisable procedure is to let your odd sums accumulate until you have around $250, and use this as the initial payment against a full unit on the Partial Payment Plan. The balance on a bond bought at a price of $100 (or $1,000 for a full unit) would amount to $750, which could be conveniently met in twelve monthly payments of $62.50 each, with an adjustment in the final payment for commissions and taxes.

Another way that the small investor can avoid penalties in the purchase of baby bonds is to limit his selection to offerings of new securities. New offerings are usually underwritten and distributed by a group of bond houses who agree to bind themselves to certain conditions and circumstances in what is known as a "syndicate agreement." One of the most important clauses of this agreement is that a fixed price must be maintained by all dealers participating in the offering throughout the life of the agreement. The intention of this clause is to prevent dealers from offering the issue at a "cut price" but usually, it also prevents an advance in the price for the $100 pieces. The large volume of new financing at the present time, provides a wide range of selection so that the small investor is sure to find numbers of new issues that will meet his needs.

There is still one class of small investor whose problem is not solved in either one of the two preceding suggestions, namely, the investor whose prejudices favor the so-called "seasoned" bonds and who for any number of reasons may not be in a position to avail himself of the privilege of paying for a $1,000 bond "on time." There are also a number of investors who are not interested in buying baby bonds but who have $100 pieces for sale and naturally desire to reduce the extra selling charges to a minimum. So the third recommendation is this—if you must buy or sell baby bonds, clear your transactions through an investment firm that specializes in baby bonds.

The number of bond firms who specialize in baby bonds grows less year after year — another indication that this class of securities is rapidly becoming an orphan of the war period. As this type of business becomes concentrated among a fewer number of firms, however, their total volume of purchases and sales increases, which reduces the sales cost and in turn the extra charges to a lower figure than the average bond firm can afford to handle baby bonds. Thus, for example, $100 units of an active issue of bonds will frequently be quoted by the specialist in baby bonds at a "spread" of as low as one point, or one-half a point above the prevailing market on a purchase and one-half a point below in the case of a sale. This charge is not prohibitive, especially in two to four points that a dealer is compelled to charge unless he specializes in this type of business.

25 Active Bond Issues Available in $500 and $100 Units

Railroads

	Maturity	Price	Yield to Maturity
Baltimore & Ohio: Toledo, Cinn. 4s	1959	81	5.20
Cuba R. R., 1st ref., 7½s	1936	109½	6.21
Great Northern, Gen. 7s	1936	113	5.30
Hudson & Manhattan, ref. 5s	1957	96¼	5.22
International Great Northern, 1st "A" 6s	1952	105½	5.58
Miss.-Kansas-Texas, Prior Lien 6s	1952	102¼	5.83
New York & New Haven, 6s	1940	100	6.00
St. Louis-San Francisco, prior 4s	1950	82½	5.30
Sea Board Air Line, 6s	1945	95⅝	6.40
Western Pacific, 1st 5s	1946	99¾	5.02

Public Utilities

American Tel. & Tel., 5½s	1943	105	5.05
American Water Works, 5s	1934	97	5.47
Brooklyn-Manhattan Sec., 6s	1968	97	6.20
Commonwealth Power Sec., 6s	1947	105	5.56
Laclede Gas, 1st & Ref. 5½s	1953	103½	5.27
Metropolitan Edison, 1st Ref. 6s	1952	107⅜	5.45
Philadelphia Co., 5½s	1938	101	5.37
Portland Ry. & Light, 1st & Ref. 6s	1947	101½	5.85

Industrials

Armour & Co. (Del.) 1st Gtd. 5½s	1943	94	6.03
California Petrol. S. F., 6½s	1933	104½	5.71
Pierce-Arrow Motor Car, Deb. 8s	1943	105¾	7.40
Punta Allegre Sugar, Conv. deb. 7s	1937	107½	6.05
Saks & Co. S. F., 7s	1942	110	6.02
U. S. Rubber, 1st & Ref. 5s	1947	93½	5.58

The Twenty Best Industrial Bonds

How Their Yields Compare with Prime Rails—Several Attractive for Ultra-Conservative Buyers.

By LORING DANA, JR.

YIELDS on the very best bonds are at a level where even the ultra-conservative investor has begun to do a little shopping around to see if he can attain equal safety with even a quarter per cent more in income. The investor just below the ultra-conservative has turned his attention to quality preferred stocks, and is being well rewarded. The desertion of these two faithful groups of buyers has not materially weakened prices on the highest grade bonds, since institutional demand is enough to sustain them against the field. But for the individual investor the most important question is undoubtedly where he can buy the very best bonds without a premium to be paid for their being "legals" in important states. Undoubtedly this class of investor can turn his attention with profit to the very best industrial bonds. These have neither the tax-exemption feature of governmentals, the "legals" feature of prime rails, nor the "about-to-become-legals" price of the best utility bonds. Here, and here alone can the investor attain the utmost in safety compatible with a somewhat more than the minimum yield. The fortunate historical prejudices, dating back from the days when little other than rails were investment favorites, will stand him in good stead. True, yields centering about five per cent are little to grow enthusiastic about but for those who wish to make no compromise with safety, and yet obtain high marketability with the smallest price spreads, industrial bonds remain unexcelled.

Any rational investor will admit that senior obligations of General Electric, United States Steel or Atlantic Refining are scarcely to be ranked lower than Atchison or Reading senior securities. When one remembers the tremendous surpluses, the small percentage of gross revenues required to pay interest thereon, and the proven number of times interest has been earned, he will recognize at once the unrivaled quality of such securities. Several of these rank with the rails in yield, but others still represent opportunities. Let us take at random two prominent "averages" of bond yields. Both of these go on the assumption that rating is unaffected by quotation, a static position with which THE MAGAZINE OF WALL STREET has always disagreed. Nevertheless such illustrations have some illustrative merit. One of these exhibits the best quality of rails as averaging 4.62%, utilities 4.71% and industrials 4.84%. The other reveals long-term listed rails of highest quality as 4.65%, utilities 4.84% and industrials 5.02%. As tradition plays less of a part in valuing industrial bonds than it does with any of the railroad bonds, it follows that a spread of about a quarter of 1% in yield measures present differences between railroad and industrial bonds ranking equally in safety.

In the following table no industrial bonds has been included that yields less than 4.65% to maturity, the average of the best railroad bonds, nor one that reveals a current income of less than 4.50%. This excludes about two or three bonds, which while they have the right to rank first among the twenty

(*Please turn to page* 706)

How Twenty Highest Grade Industrial Bonds Compare

Bond	Outstanding (Millions)	Prior Liens (Millions)	Times Interest Earned	Call Price	Ratio Net Assets to Issue	Price	Current Income %	Yield to Maturity %
U. S. Steel, 10-60 yr. 5s, 1963	162.8	188.1	6.1	110	6.4	106¼	4.70	4.65
National Tube, 1st 5s, 1952	11.6	....	6.1A	105	4.5	104½	4.79	4.70
Liggett & Myers, Deb. 5s, 1951	15.1	13.6	9.7	N.C.	3.9	102⅛	4.89	4.85
Western Electric, Deb. 5s, 1944	35.0	....	9.0	105B	4.8	102	4.90	4.83
Illinois Steel, Deb. 4½s, 1940	18.5	....	6.1A	105	4.5	97	4.54	4.81
Atlantic Refining, Deb. 5s, 1937	15.0	....	6.7	N.C.	5.2	100¾	4.96	4.89
P. Lorillard, Deb. 5s, 1951	10.6	9.7	5.6	N.C.	2.8	100	5.00	5.00
Swift & Co., 1st 5s, 1944 C	26.3	....	5.0K	102½	11.2	101	4.95	4.92
Adams Express, Coll. Tr. 4s, 1948	5.8	....	2.9	N.C.	2.3	86¾	4.60	4.98
Am. Smelt. & Refining, 1st "A" 5s, 1947	40.1	....	6.9	100D	4.0	101½	4.93	4.89
Bethlehem Steel, 1st L. & Ref. "A" 5s, 1942	12.8	14.2	2.1	105	2.9	101¼	4.94	4.88
Gulf Oil of Pa., Deb. 5s, 1937 E	30.9	....	10.1	103½	6.1	100½	4.98	4.94
Republic Iron & Steel, s. f. 5s, 1940	10.9	....	4.0	105	10.5	95½	5.24	5.46
United Lead, Deb. 5s, 1943 F	6.1	....	14.0G	100	10.0G	99	5.05	5.09
Lackawanna Steel, 1st Con. "A" 5s, 1950	6.9	....	2.1H	105	2.9H	98½	5.07	5.10
General Petroleum, 1st 5s, 1940	17.8	....	5.2	102½	3.4	100	5.00	5.00
Central Steel, 1st s. f. 8s, 1941	4.5	....	5.7	N.C.	6.6	120½	6.64	5.96
Hershey Chocolate, 1st Coll. 5½s, 1940	19.3	....	4.4	103	3.3	101¾	5.40	5.30
Inland Steel, Deb. 5½s, 1945	12.3	0.4	34.8	103½	6.0	101½	5.42	5.37
Standard Milling, 1st and Ref. 5½s, 1945	2.4	3.6	6.9	103½	4.5	101	5.45	5.42

A—Earnings U. S. Steel, guarantor.
B—Callable after 1934.
C—Listed Boston Stock Exchange.
D—Callable after 1930.
E—Listed New York Curb Market.
F—Unlisted market.
G—National Lead Co. (estimated).
H—Bethlehem Steel.
K—Estimated.
Unless otherwise noted, listed N. Y. Stock Exchange.
AVERAGE INCOME—5.07%.
AVERAGE YIELD—5.05%.

Bonds

THE bond market has been dominated by the attempt of investors to get away from low yield bonds to higher income bonds. Thus even in municipal bonds, the less favored variety, yielding upwards of 4.50%, have had an excellent market, and even Florida municipals, such as those of communities too young to have a history and too unstable to be assured of a future—have sold as high as 6%. That such issues are easily sold to formerly cautious buyers of tax-exempts indicates the hunger for better yields. Naturally, highest grade preferred stocks and even investment common stocks have been the refuge of formerly exclusive bond buyers. Not even need for reinvestment of July 1st coupons and dividends has stimulated a greater demand for the best bonds. This demand is still being distributed so as to bring closer conformity in yields between lesser-grades and higher grade bonds. This readjustment has resulted in bonds selling slightly under their recent peak. Rails are selling a full point below their recent high, whereas public utility bonds have not lost ground, and industrials have sustained merely a fractional loss.

Foreigns which have had something near a recent boom, have receded, principally the French government issues, and such railroad and industrial issues as have French government backing. German industrials have been incidentally affected, and it is obvious that with summer business poor in Germany, they will decline still further.

Special Issues Strong

Among specialties great strength was exhibited by Granby convertible 7s which advanced from 106¼ to 109¾. This was entirely in response to the new high of 24 for Granby stock. Speculative interest, if not large participation, entered into Murray Body 6½s, up from 92 to 94⅞. Several Illinois Central issues showed sustained gains. All of the St. Louis-San Francisco bonds were under pressure. An outstanding exception to the weak showing of most large railway system bonds was the New York Central convertible deb. 6s, 1935, which sold up from 106¾ to 110, or redemption price. Delaware & Hudson and Alton bonds were other points of resistance.

Perhaps the best indication that can be given the investor, is that for the summer at least, the highest grade bonds, will probably make no gains in price, and that opportunities are to be sought primarily among medium grade securities. But the bond market as a whole will not show any great strength until after the preferred stock market has been brought into conformity, and until after brokers fall back on call loans rather than on time accommodation. For the summer at least, bond prices, as an average are not likely to surpass their June highs. Reinvestment and institutional demand are both minimal in August.

Bond Buyer's Guide

Bonds for Income Primarily

	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest Earned on all debt	Price	Current Income	Yield to maturity
GOVERNMENT ISSUES						
Argentine 6s, 1959 ....(a)..	44.8	....	...	99¼	6.05	6.07
Dominican Rep. 5½s, 1942..........(a)..	6.7	6.4	...	98	5.61	5.68
Haiti 6s, 1952 ....(b)..	15.6	....	...	98½	6.08	6.09
Panama 5½s, 1953 ....(a)..	4.4	....	...	102½	5.39	5.33
RAILROAD ISSUES						
Baltimore & Ohio, Ref. 5s, 1995...(a)..	60.0	284.0	1.44	98¼	5.09	5.07
Ogdensburg & Lake Champlain 1st 4s, 1948	4.4	....	1.91	80¾	4.95	5.48
Genesee Riv., 1st 6s, 1957.......... ..	5.7	....	1.44	110	5.46	5.34
Great Northern, Gen. 7s, 1936......(b)..	115.0	139.8	2.75	112¼	6.21	5.33
Kan. City Sou. Ref. & Imp. 5s, '50. ..	18.0	30.0	2.07	97¼	5.10	5.20
Ky. & Ind. Term., 1st 4½s, 1961.. ..	5.1	....	X	88¾	5.05	5.20
Minn., St. P. & Sault 6½s, 1931.... ..	10.0	74.6	1.16	103	6.33	5.80
M-K-T, P. L. 5s, 1962..............(b)..	36.6	31.3	1.69	101¾	4.91	4.90
Missouri Pac., 1st & Ref. 6s, 1949.(a)..	24.1	126.3	1.24	105⅝	5.70	5.60
N. Y., O. & W., Ref. 4s, 1992...... ..	20.0	....	1.29	74	5.40	5.55
Rutland, 1st 4½s, 1941............ ...	3.5	....	1.80	92	4.89	5.25
San Antonio & Aransas Pass. 1st 4s, 1943	17.5	....	2.63	88¼	4.53	5.03
Western Pacific, 1st 5s, 1946.......(b)..	27.8	....	2.26	99	5.06	5.07
PUBLIC UTILITIES						
Am. W. W. & Elec. Coll. 5s, 1934..(b)..	12.7	....	1.32	97¾	5.07	5.30
Commonwealth Power, 6s, 1947......(b)..	10.1	....	4.28	105	5.71	5.57
Hudson & Manhattan, Ref. 5s, 1957.(b)..	37.5	5.6	1.98	96⅜	5.19	5.25
Kansas Gas & El. 1st 6s, 1952....(a)..	14.0	....	1.71	105	5.71	5.63
Laclede Gas, C. & R. 5½s, 1953...(b)..	17.5	10.0	1.58	103¾	5.29	5.26
New York Dock, 1st 4s, 1951......(a)..	12.5	....	2.73	84¼	4.74	5.40
New York Edison, 1st 6½s, 1941..(a)..	30.0	38.0	3.71	116	5.60	5.00
Ohio Pub. Ser., 1st & Ref. 7s, '47..(b)..	3.7	4.0	2.61	112	6.23	6.58
United Fuel Gas, 1st 6s, 1936.....(a)..	9.5	....	5.72	103	5.82	5.64
Western Union, 6½s, 1936.........(a)..	15.0	20.0	11.20	111½	5.81	5.01
INDUSTRIALS						
Am. Smelting & Ref., 6s, 1947....(a)..	9.6	....	4.92	108	5.57	5.41
Anaconda, 1st 6s, 1953..............(a)..	105.5	16.9	1.34	103¾	5.77	5.72
Bethlehem Steel, P. M. 5s, 1936.... ..	22.2	5.1	2.20	97¼	5.14	5.30
Central Steel, 1st 8s, 1941..........(b)..	4.5	....	4.90	121	6.61	5.85
Goodrich, B. F., Co., 1st 6½s, 1947 ....(a)..	22.7	....	5.35	106¼	6.11	6.01
Hershey Choc., 1st Coll. 5½s, 1940.(a)..	19.3	....	5.18	101⅞	5.37	5.34
Int. Paper, 1st 5s, 1947............ ..	6.7	....	7.26Y	95	5.29	5.39
Sinclair Pipe Line, S. F. 5s, 1942.(a)..	24.5	....	4.46	90¾	5.51	5.90
So. Porto Rico, 1st Coll. 7s, 1941..(a)..	5.0	....	3.31	108½	6.46	6.16
U. S. Rubber, 1st 5s, 1947.........(b)..	61.4	2.6	2.91	93¼	5.26	5.54

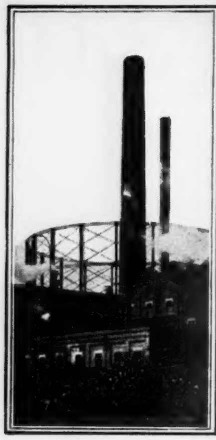
Bonds for Appreciation of Principal Primarily

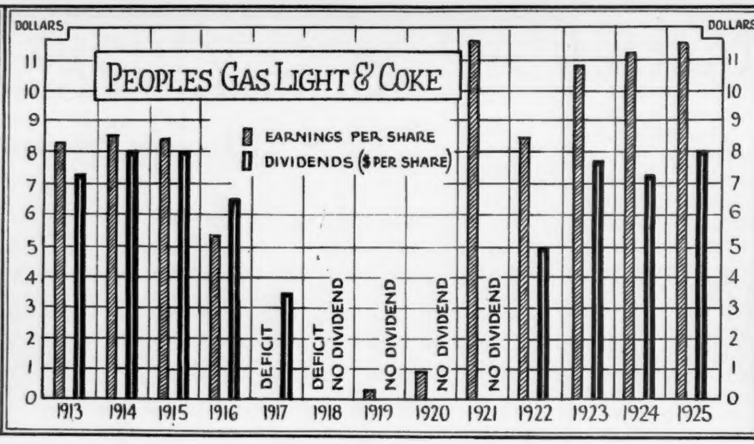
	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest Earned on all debt	Price	Current Income	Yield to maturity
RAILROADS						
Chicago Gt. Western, 1st 4s, 1959. ..	34.7	....	0.90	69¼	5.80	6.21
Central New England, 1st 4s, 1961. ..	13.4	0.2	0.67	75	5.31	5.66
Erie, Gen. Lien 4s, 1996............ ..	35.9	91.6	1.44	72	5.55	5.61
Int. Gt. Northern, 1st 6s, 1952....(b)..	17.2	....	1.34	105⅞	5.70	5.58
Mo. Pacific, Gen. 4s, 1975.........(a)..	49.6	219.9	1.24	74	5.40	5.85
Rock Is., Ark. & La. 1st 4½s, '34..(b)..	11.0	....	1.48	93⅜	4.85	5.52
Spokane Int'nal, 1st 5s, 1955...... ..	4.2	....	3.77Z	86¾	5.76	5.96
Western Md., 1st 4s, 1952.......... ..	46.5	2.3	1.18	72¾	5.47	6.10
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968..(b)..	92.7	....	1.52	96⅝	6.20	6.25
Indiana Nat. Gas, Ref. 5s, 1936.... ..	6.0	....	1.89	98½	5.09	5.19
Manhattan Ry., Cons. 4s, 1990..... ..	40.7	....	0.86	66¾	5.99	5.98
Market St. Ry. 1st 7s, 1940.......(a)..	12.9	....	2.38	98	7.14	7.25
Montreal Tramways, Gen. & Ref. 5s, 1955 ....(b)..	2.5	21.4	1.31	93	5.39	5.51
N. Y. & Richmond Gas, 1st 6s, 1951 ....(b)..	2.1	....	1.06	102¾	5.82	5.80
INDUSTRIALS						
Ajax Rubber 1st 8s, 1936..........(b)..	2.4	....	2.23	103¼	7.77	7.54
Col. Industrial 1st Gtd. 5s, 1934... ..	31.4	5.3	1.16	89½	5.57	6.57
Consolidation Coal, 1st & Ref. 5s, 1950	21.1	8.0	2.52	81¾	6.14	6.51
Commercial Credit, Coll. 5½s, 1935.(a)..	5.0	....	2.74	93⅝	5.87	6.46
Republic Iron & Steel, Ref. & Gen. 5½s, 1953 ....(a)..	8.9	11.2	4.48	95½	5.76	5.32
DEBENTURES						
Am. Chain, S. F. Deb. 6s, 1933....(a)..	6.6	....	6.84	101½	5.91	5.78
Am. Type Founders, Deb. 6s, 1940. ..	5.0	....	....	104½	5.73	5.56
Liggett & Myers, Deb. 7s, 1944..... ..	13.6	....	5.88	122¾	5.70	5.07
Sun Oil, Deb. 5½s, 1939...........(a)..	9.6	....	3.99C	99¾	5.52	5.31

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

X—Guaranteed by proprietary companies. Y—Recent earnings about $2.16. Z—Interest only guaranteed by Canadian Pacific. C—Listed N. Y. Curb market. All others on N. Y. Stock Exchange.

Note: Buff. R. & P. Con. 4½s, 1957, have risen to a quotation where they are no longer attractive. Ogdensburg & Lake Champlain, 1st 4s, 1948, have been substituted.





People's Gas—A Premier Utility Investment

Industrial Growth of Chicago Area Constructive Factor for Stock—City Litigation Against Company Overrated

By JOHN POMROY

PEOPLE'S GAS OF CHICAGO is the second largest seller of manufactured gas in the United States. It is today on the threshold of large developments, any one of which will serve to advance the common stock above prevailing levels. Its present market quiescence affords an ideal moment in which to survey its possibilities, and also its drawbacks. It is, fortunately, not a complex picture but one that can easily be scanned by the great mass of investors.

The most notable change in the fundamentals of the company is revealed by the figures of gas produced by the company directly. This figure which stood at 18.3 billion cubic feet in 1922 and 19.8 billion cubic feet in 1924, had declined to 12.0 billion cubic feet in 1925. On the other hand, gas purchased by the company increased from 11.4 billions in 1922 to 21.8 billions in 1925. Total gas production had risen from 29.7 billions to 33.8 billions from 1922 to 1925, but whereas in 1922, gas produced was 62% of all production, in 1925 it was only 35%. Gas sold commercially had risen from 27.6 billions to 32.5 billions, and gas unaccounted for had been lowered from 2.1 billions to 1.3 billions. This production situation has many angles that are fundamental for an understanding of present and future profit possibilities. Cost of gas produced by company had declined by from 47.6 cents to 37.9 cents per thousand cubic feet. But gas purchased cost the company notably less than gas produced directly by itself, for, after crediting gas production account with residual products, total cost of all gas supplied was lowered to 34.8 cents, after taking into account gas purchased. This compares splendidly with a total cost, after residual credits and purchases of 43.8 cents in 1922. The charges for gas unaccounted for were also less in 1925 as against 1922, of course, and thus final production costs were diminished from 47.2 cents to 36.2 cents or fully 11 cents per thousand cubic feet. In the meantime the ratio of total investment to annual revenues has been brought down to as low as 3.5 to 1, a ratio that is as low as any known. On the score then of operating efficiency, of shifting of gas supplied from expensive production to cheaper purchases, and of increase of annual gross returns in proportion to capital invested, People's Gas has shown recent development little short of spectacular. It is beginning to reap the benefits from this gain in technical efficiency and lower costs.

The benefits in the production cost section were not quite paralleled in the rest of the organization. Operating cost to burners, that is production plus distribution and commercial costs, all told were reduced from 76.3 cents to 64.5 cents or 11.8 cents, of which 11 cents were contributed by production alone. Nevertheless, it is interesting to note that these other sections did show more efficiency per unit of gas produced.

Taxes have gone up, but not seriously and rents for leased plants cost no more per unit than four years ago, so that when all such deductions are added to net ultimate cost of gas, including interest on funded debt, reduction was fully 12.4 cents, or from 98.9 cents to 86.5 cents. Hence, there were lower costs even among miscellaneous deductions.

On the face of it then profits should have gone ahead by leaps and bounds because a reduction of 12.4 cents in total costs per thousand cubic feet, on over 32.5 billion cubic feet, would come to more than 4 million dollars additional earned on the common stock. But in point of fact, earnings attributable to the common stock increased by only 1.6 millions or from 3.26 millions to 4.85 millions. Where was the discrepancy?

We must turn from the brilliant picture of efficiency to other and less satisfactory elements. In the first place the revenue received per thousand cubic feet had declined from $1.074 in 1922 to 98.01 cents in 1925. This decline of fully 9.4 cents per thousand cubic feet leaves only 3 cents to be explained. But this reduction in revenue per unit of gas is itself entitled to examination. The bulk of this decline of receipts per unit of gas produced occurred before 1924, in which years revenues were 99.08 cents per unit. Hence it can be dismissed as no longer significant, except for one factor. That factor is the increasing use of gas for industrial, commercial and house heating purposes, for which lower rates prevail. In proportion as such uses increase, they will add heavily to gross revenues, but not nearly so much to per unit receipts.

The importance of these wholesale gas sales may be measured by the consumption for strictly manufacturing purposes in 1925 of over 3.74 billion cubic feet, an increase of 13% over 1924. Such manufacturing uses are to-

day nearly 12% of all uses. When commercial and house-heating uses are added (these are stimulated by specially low rates) it will be seen that domestic lighting is not to be the principal future source of company revenues, but rather industrial, commercial and house-heating wholesale sales on one hand, and domestic cooking retail sales on the other. Industrial, commercial and house-heating uses have increased by about 30% since 1922, and are, if anything, showing signs of accelerated growth. For example, space-heating appliances sold in 1925 alone are expected to consume 570 million cubic feet per annum.

Commercial showing of People's Gas between 1922 and 1925 can be easily summarized. Total gas costs, although greatly reduced per unit, in view of increased total production, rose from 27.3 million dollars to 28.1 millions. This includes interest on funded debt. Against this increase of $800,000 in costs can be set first a gain in revenues of from 29.6 millions to 31.8 millions from gas alone, or $2,200,000 increase, and a gain in other income, from $900,000 to $1,100,000, or $200,000 increase. These gains of $2,400,000 as against increases in costs of only $800,000, showed the previously mentioned gain of $1,600,000 applicable to the common stock. The amount of common stock outstanding at the end of 1922 was 38.5 millions, and at the end of 1925, was 42 millions, so that earnings per share advanced from 8.47% to 11.55%. Consolidated earnings, however, in 1925 were fully 11.9% per annum, or 3.9% more than the amount of dividends declared per share. As profit and loss surplus is nearly twenty millions, it follows that the company is pursuing a conservative dividend policy for a public utility.

Striking as the record of gains in earning power must be, it may seem that engineering skill has been exerted to the utmost and that it is not likely that further economies in either operating costs or in the intensive use of capital investment are any longer possible. While both of these opinions may be hazarded as untenable—there was little sign of a slackening in the rate of reduction of total gas costs from 1924 to 1925—nevertheless it is true that the rate of gain in both these factors will probably grow less and less as time goes on. Hence while they will contribute their share to profits, the greater part of profits must come about by augmentation of gross sales.

Such increases in gross revenues will not call for heavy capital expenditures on the part of the company. Present capacity is 88 million cubic feet storage capacity daily, or at the rate of 68% of peak send-out of gas. Total production and distribution capacity is at least 150 million cubic feet daily or about 55 billion cubic feet annually, assuming peak all the time. As 120 million cubic feet per day is present peak, an excess of 25% in business would represent a minimal figure of increased business that can now be done without addition of capital investment. Such a development would reduce ratio of capital investment to annual gross revenues below three to one, or pretty much put People's Gas, a utility, in the class of an industrial. What that would mean to earnings on the common stock could easily be conjectured.

Conjectures, however, are not realities. Apart from the freak year 1920, gas sales have increased each year in Chicago from 1910 to 1925 at a rate greater than that of population, in fact at a rate about twice that of population. The last few years have augmented the rate of gas increase over that of population increase. In view of this continuous record, and the growth industrially of the Chicago area, such increased earnings are not only forecast, but for all practical purposes may be considered a certainty. This is all the more important when it is realized that People's Gas of Chicago holds a firm belief in the idea of superpower as applied to gas production, and has through its subsidiaries and its planned physical equipment, the organization to link up gas production from Waukegan, some twenty miles north of Chicago to Michigan City in Indiana. This super-power use of gas will further result in operating efficiencies in unit cost of production, and will enable still lower rates on gas for industrial purposes.

From the viewpoint then of assured growth in revenues and profits, People's Gas ranks high.

A great deal of importance has been attached to the suit of the city of Chicago for recovery of sums which the city holds were collected in excess of reasonable charges from the consumers of Chicago between 1911 and 1916. The recent decision of the court of first instance holding that the city was justified as to law, has undoubtedly not helped quotations on People's Gas stock. When analyzed the danger seems shadowy. The case is journalistically referred to as the ten million dollar refund case. Actually the maximal sum that can be recovered is not likely to exceed 2.5 millions. The decision in favor of the city on points of law has been appealed, and even if decided against the company merely clears the way for a trial on the issue of fact. The company is not likely to be defeated in such an issue, and if the nearly impossible happens, it is not likely that the extreme contention of the city will be affirmed. The investor can well afford to disregard this development.

Asset value per share of stock outstanding is over $150 or about $28 in excess of present market price. This asset value is undoubtedly less than true value, as the valuation of 113 millions for capital investment carried by the company is unduly conservative. It is likely that $160 per share is nearer true value. Funded debt is large, but, as a ratio, 56% of total capitalization is not excessive for a utility company. Apart from 5.7 millions in 6% notes, maturing in 1927, there are no immediate maturities. These could be refunded at a lower coupon rate. Additionally the company is obligated in the sum of 25 millions for subsidiary or related company bonds. The Ogden Gas 5s are paid regularly by People's Gas. The Chicago By-Products Coke Company issue of 13 millions represents that organization from which People's Gas has purchased the bulk of its gas, and which will ultimately be absorbed into the system. The same is true of Ogden Gas Co. Absorption of Chicago By-Products Coke eventually should be a great source of profit to People's Gas.

Although stockholders have ratified an increase in authorized stock from 50 to 60 millions, increase of capitalization has been slow. The additional stock, when issued at par would entitle the stockholder to valuable rights. These rights would more than compensate for the proportionate reduction of his per share attribution of net earnings.

There can be little doubt in view of the foregoing that with the possibilities of a higher cash dividend than $8, with a yield of fully 6.55% at prevailing price of $122, with market value well below book value, and with the probability of rights in the offing, that People's Gas is undervalued on its present position, and that its price has not yet taken into account the possibilities of future growth in company profits. It is distinctly a public utility stock with a good rating.

Growth of Gas Business in City of Chicago, 1921-1925

	Population in Chicago (Thousands)	Gas Sales, Billion Cubic Feet	Customers Served (Thousands)	Sales Per Customer in Cubic Feet (Thousands)	Sales Per Capita in Cubic Feet (Thousands)
1921	2,767	26.75	684	39.0	9.6
1922	2,833	27.60	692	39.8	9.7
1923	2,886	29.79	708	42.0	10.3
1924	2,839	31.62	741	42.6	10.7
1925	2,995	32.50	765	42.4	10.8

Union Pacific, A Railroad Plus—

Company Extremely Rich in Assets—What It Could Distribute to Common Shareholders—Market Outlook

By J. A. POLLOCK, JR.

JUST why Union Pacific is accorded less of an investment rating than other standard rail commons is something of an anomaly. Throughout this entire bull market in which rail shares have been conspicuously undervalued, this particular issue has sold to yield a larger income return than other high-grade issues. This characteristic is, moreover, one of long standing. Even when selling above 200 in 1906, the stock probably represented more real value, and certainly more realizable value, per dollar of market price than any of the popular issues which then sold at levels not generally since achieved.

Possibly the annual dividend disbursement of $10 a share suggests, through its relative size the thought of impermanance, although certainly this payment has been of long enough duration. It is certain, however, that the current stock market appraisal is based on a misapprehensive of facts, both as to investment merit and speculative possibilities.

Corporate values are of a relative and generally changing nature. Few large companies yield themselves more nearly to an exact determination of worth than Union Pacific. This quality results first, from so large a proportion of assets being represented by investments in the stocks and bonds of other large carriers, and secondly from the assured earning status of the company's investment in its own transportation machine. The extent to which this conclusion is justified is seen in the record of the past twenty years, during which common share earnings have ranged between a maximum of $19.17 and a minimum of $12.29, independent of any government rental during the control and guaranty years. As a matter of fact, the company was in the virtually unique position of returning the government a substantial profit in that period. The remarkable nature of this record is further heightened when it is recalled that in 1914, as a result of the famous anti-trust suit, a special distribution of assets was made in the form of 74 millions Baltimore & Ohio stock. Except for two years subsequent to this action, regular dividends of not less than 10% have been paid in every year beginning with 1906.

Union Pacific's present well-ordered, almost staid qualities are in strange contrast to much of its interesting and at times lurid past. Originally chartered in 1862 to bridge the transportation gap between the carriers of the middle west and the Pacific, it connected in 1869 with the eastward built Central Pacific at Ogden, creating the first transcontinental route. The historic climax of the golden spike was altogether fitting. The promoters had made a lot of money. But the incident also had predictive value when thirty years later Harriman applied the Midas Touch. This occurred in 1897 when the existing company was born by way of reorganization.

In the collapse and depression of the early nineties, the Union Pacific had been dismembered of three-fourths of its mileage, while the remainder had

TABLE A

Development of Union Pacific

Year ended	Dec. 31, 1925	June 30, 1916	Increase
Road equipment	$819,061,000	$570,637,000	$248,424,000
Other investments	255,357,000	254,735,000	622,000
Total	$1,074,418,000	$825,372,000	$249,046,000
Funded debt	$414,893,000	$334,630,000	$80,263,000
Preferred stock	99,544,000	99,544,000	....
Common stock	222,293,000	222,293,000	....
Total	$736,730,000	$656,466,000	$80,263,000
Working capital	$20,899,000	$28,013,000	*7,144,000
Depreciation reserve	55,011,000	19,848,000	35,163,000
Surplus	254,380,000	171,085,000	83,295,000
Year ended	**Dec. 31, 1925**	**June 30, 1916**	**Increase**
Gross reserves	$198,040,000	$104,717,000	89%
Net operating income	40,039,000	40,919,000	*2%
Other income	16,540,000	11,752,000	41%
Charges	18,347,000	13,882,000	32%
Net income	38,231,000	38,789,000	*1%
Mileage	9,555	7,934	20%

*Decrease

TABLE B

Earning Record

Earnings Available for Common

Year	From Transportation	Other Income	Total	Per Share
1916	$26,955,000	$12,247,000	$39,202,000	$17.64
1917	25,764,000	11,791,000	37,555,000	16.89
1918	16,874,000	11,747,000	28,621,000	12.88
1919	17,411,000	13,027,000	30,438,000	13.69
1920	16,394,000	12,299,000	28,693,000	12.90
1921	14,181,000	13,138,000	27,319,000	12.29
1922	12,608,000	15,750,000	28,358,000	12.75
1923	18,427,000	17,514,000	35,941,000	16.16
1924	15,546,000	16,226,000	31,772,000	14.29
1925	17,709,000	16,540,000	34,249,000	15.40

fallen into pitiable condition. Within the next ten years the lost mileage had been reacquired, the entire system built up and brought to a virtual maximum of efficiency, and dividends of 10% inaugurated; there had also been acquired the Southern Pacific a majority of the stock—if not of the common—of the Northern Pacific, virtual control of the Atchison, and a half interest in the old "San Pedro." Within the same period the Atchison and Northern Pacific had been sold, the latter at more than 80 millions profit, and surplus reinvested in large, but not controlling blocks of various other railroads including notably Baltimore & Ohio, Illinois Central and New York Central.

In the 1914 segregation, part of the Southern Pacific stock was exchanged with Pennsylvania for Baltimore & Ohio shares held by it, and part sold to Union Pacific stockholders at a profit of 16 millions. When the Baltimore & Ohio stock was distributed it amounted to less than the profit which had been realized in a few years from the Northern Pacific purchase.

The primary cause of Union Pacific's present strength is to be found in the inherent advantages of its geographic position and the fundamental policy of building up the property out of earnings. The superior strength imparted by its treasury holding results from the successful stock market operations under the Harriman regime, although these were never conducted purely as such but belonged rather to the railroad strategy of the time.

The present Union Pacific line remains essentially what it was originally designed to be—a bridge route between the Missouri River and the far West. The main stem extends from Council Bluffs and Omaha to Ogden, Utah. Partly lateral thereto is the line from Kansas City to Denver. At Council Bluffs and Kansas City interchange of traffic is effected with various other roads, although by traffic arrangement with the Chicago & Northwestern a continuous route from Omaha to Chicago is assured.

TABLE C

Union Pacific's Rail Stock Holdings

Security	Par	Current Market Value
Baltimore & Ohio, com	$3,594,035	$3,486,000
Baltimore & Ohio, pfd	1,805,992	1,318,000
Chicago & N. W., com	4,420,600	3,183,000
Chic., Mil. & St. P., pfd	1,845,000	332,000
Illinois Central, com	34,870,000	54,977,000
Illinois Central, pfd	9,827,000	
New York Central	22,700,000	29,964,000
Reading, rts.	....	750,000
	$79,062,627	$94,010,000

At its western terminus the main U. P. line connects with two of its own lines, that of the Oregon Short Line—Oregon, Washington Railroad & Navigation extending northwest to Portland and Seattle, and that of the Los Angeles and Salt Lake reaching southwest to Los Angeles and San Pedro. By recent agreement it is permanently assured of connection with San Francisco over the Central Pacific. The "System" lines aggregating 9,555 miles are made up of Union Pacific 3,687 miles, Oregon Short Line 2,443 miles, Oregon, Washington Railroad & Navigation 2,237 miles and Los Angeles and Salt Lake 1,208 miles, 20 miles being used jointly. All subsidiary stock is owned within the system.

It can be readily seen that Union Pacific is in reality a single stem fed at both ends by a large number of connections. It would be difficult to devise an arrangement better designed to create a high earning power on the investment and at the same time relative freedom from depression. Branch lines are necessary to all roads but they are not in general productive of large net earnings. This explains in part, at least, the difficulty of most roads in achieving a high return upon their investment. Union Pacific has occupied the enviable position of being able to put a good portion of the funds which ordinarily would have gone into branches, into more productive investments.

In view of its physical arrangement it is not surprising that a very high percentage of Union Pacific's business is made up of through traffic, resulting in a very long haul. Daily freight car mileage is double that of the average railroad and very much greater than even the other transcontinentals. This type of traffic makes for reduced cost of handling business and the low expense ratio which has always characterized the company's operations.

The operating ratio of 70.11% in 1925 was the lowest attained since 1919. Nothing but an inadequate rate structure in western territory and, in limited degree, unsatisfactory general business conditions in the past two years have prevented this ratio from being materially less, as the company is naturally one of the lowest cost producers of transportation in the world.

Although conditions were not altogether satisfactory last year, Union Pacific achieved the largest operating income of recent years. This, nevertheless, was about 10% less than the record made in 1916. In the current year, business has been exceedingly favorable with the result that in the first five months gross revenues exceeded those of a year ago by $6,119,000. In handling this increased volume of business, transportation costs were increased but $648,000, the ratio declining from 32.5% for this period of 1925 to 30.7% in 1926. Net operating income increased less than $900,-

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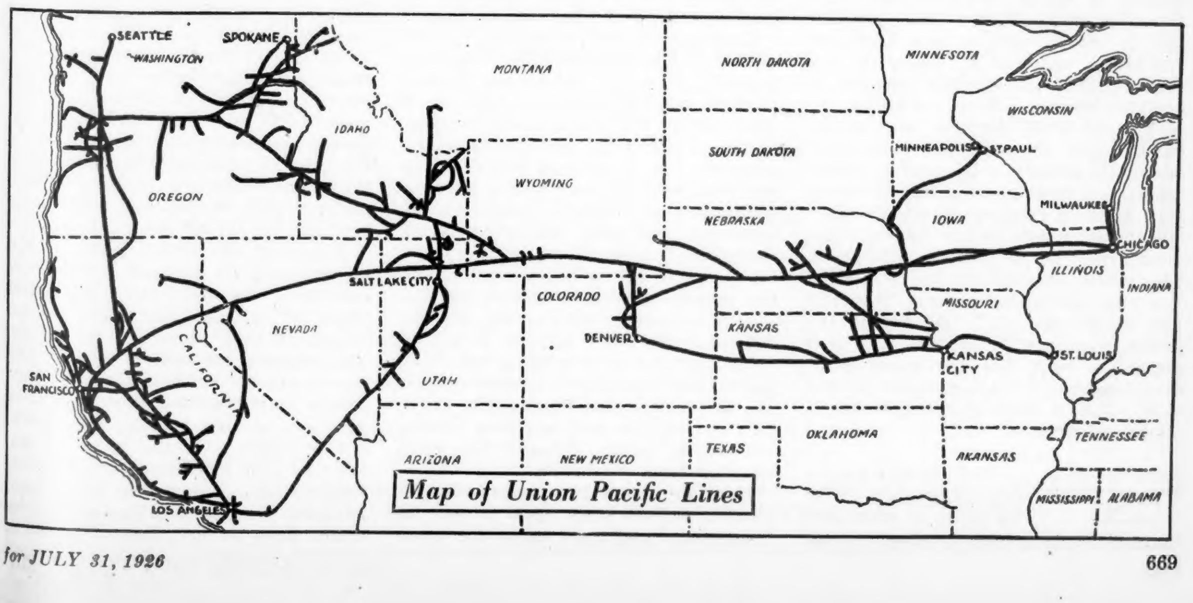
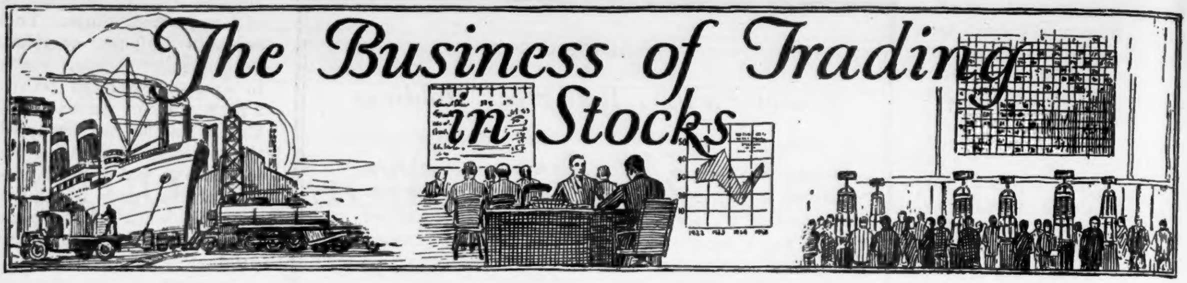


Map of Union Pacific Lines



Part V: The Technique of Manipulation *(Concluded)*

A Series of Articles for Investors by JOHN DURAND

"The way to sell stocks to the public is to manipulate them to the highest point possible, then sell them on the way down."
—James R. Keene.

Buying on Reactions

IN the preceding installment we left the bull pool in Consolidated Electric confronted with what, under ordinary circumstances, is the most difficult task in manipulation—to close out, distribute, or unload a big line of long stock at profitable prices. Toward the climax of a great bull market, when prices are making new highs every day and the speculating public has forgotten that even the sky has upper limits, it is possible to sell huge quantities of stock on the way up. But in ordinary markets, many outside buyers prefer to wait for the customary reaction rather than "climb for them." Anyone who has been "hung up" at the top eighth (and who has not?) will sympathize with this attitude.

The policy of buying on reactions will be covered more fully in a later installment. For present purposes it will suffice to emphasize the obvious danger of doing this once too often. There always comes a final reaction that is not followed by new high record prices, and this is usually the one that attracts the greatest number of outside buyers. Why? Because at such a crisis all the news and propaganda about the stock are most optimistic, its activity is tremendous, trade reports are most glowing, and the market's habit of rallying repeatedly after "technical" reactions has become fixed most firmly in the public's experience. The whole atmosphere fairly shrieks into the speculator's ear: "Recently 122, cheap at 117!" Of course the public does not know that the bull market is over, but the manipulator does, because he is about to put an end to it. This is probably the greatest of all his advantages.

Distribution—1st Stage

Pool distribution usually proceeds under the guise of short selling. While this adds as much to the floating supply as the actual delivery of long stock, the effect is to keep the stock from becoming too plentiful in the loan crowd. The object is to discourage outside short selling while inside liquidation is in progress, and to give the market as great an appearance of strength as possible. There is a saying among professionals that the best time to go short of a stock is when it is scarce in the loan crowd. If scarcity in the loan crowd were always an indication of distribution, this might be a safe rule to follow; but the reader will recall that pools have a habit of making their stock scarce during the marking up stage also, and it is then that the short seller receives his worst punishment.

After distribution has been completed, and the pool has perhaps succeeded in putting out a line of real short stock on balance, delivery will be made of the full line of long stock. This causes a sudden slump in demand for the stock in the loan crowd and the loaning rate jumps back to normal.

Coming back now to our pool in Consolidated Electric we note that, at point E the stock sold ex the regular dividend plus one extra. Rumors of other extras, perhaps a stock dividend, at the next meeting are circulated assiduously. It is reported that the company has received many orders for new equipment, and that the next earnings statement will make an unexpectedly favorable showing. Much higher prices for the stock are talked of openly, and the volume of transactions on the Exchange increases conspicuously. On the day after the stock sold ex, it will be noted that the price made a new high on the huge turn-over of 89,000 shares, yet the stock closed fractionally down. This is what the pool had been looking for—a big public demand for stock supplied from the inside.

Next day the selling pressure is suspended, and the stock made to open up fractionally and close above the opening. But the price failed to reach its old high. On the third day, the stock was again opened up, and inside selling resumed. The pool could not feed out stock so rapidly as on the first day, for public enthusiasm had begun to wane. The object, of course, is to keep the price as long as possible from declining under the weight of the growing floating supply. So the manipulator sends brokers into the crowd to bid 119 for round lots of the stock; and the specialist and floor traders, seeing this apparently strong demand coming from many sources, refrain from raiding the stock, and next day begin to buy a little on their own account. Again the price is bid up by the usual tactics, only to be followed by pool selling. On the last day that the price closes at 119, it will be observed that the volume of transactions was unusually light. This indicates that the pool is no longer able to sell much stock without breaking the price.

The process of feeding out as much stock as the market will take, then bidding up the price next day, goes on at progressively lower levels—though in small quantities—until one day the price is rushed up during the first hour to 119, where the sluice gates are opened and a deluge of pool stock sinks the price below 114. Ninety-two thousand shares changed hands that day; perhaps 25% of this was sold by the pool and bought by the public.

Following the severe break to 114, margin calls are sent out by brokers to customers who had bought on the first "reaction" to 119. The public still has confidence that prices will soon rally, and promptly responds to this call with more margin. Some of the more timid shorts know this, and proceed to cover next day, thereby running the price up a few points. On the following day, our pool sells more stock and the price sinks to 110. It dares not sell as much as it did two days earlier, for the price might drop so low that it would be

difficult to nurse the stock back to a point from which the remainder of its holdings could be sold at a profit. So the volume of transactions shows only 60,000 shares. This period of distribution is shown on our graph in the interval E to F.

Secondary Rally On the drop to 110, more margin calls are sent out, and again the public responds. The pool ceases its selling and even begins to support the stock. By this time quite a large professional short interest has been formed, and its haste to cover brings about a sharp five-point rally. When this buying subsides, the price drops back again, on light professional selling, to within a point of the old low. The pool probably put out a little short stock around 104 in order to support the stock a few points lower without acquiring any stock on balance; but it refrained from adding to the pressure on the way down.

The manipulator now nurses the prices back, during the interval F to G, by the old familiar methods, until the stock has recovered to 118 and again sagged back to 114, near point G.

Distribution—Final Stage At G something very interesting takes place, a rather characteristic introduction to the second stage of distribution. The price opens down fractionally one day and drops rapidly under 113, a little below recent points of support. Then the manipulator rushes brokers into the crowd to bid the price up, taking whatever may be offered. The stock closes at the top eighth of the day, on noticeably increased volume. Next day the price opens up again, and the shorts grow very nervous. Pool brokers are instructed to use every technical device at their command to bid the stock up. From many quarters buying orders begin to pour in. Pool brokers, professionals, shorts, vie with one another in climbing for stock. Customers who

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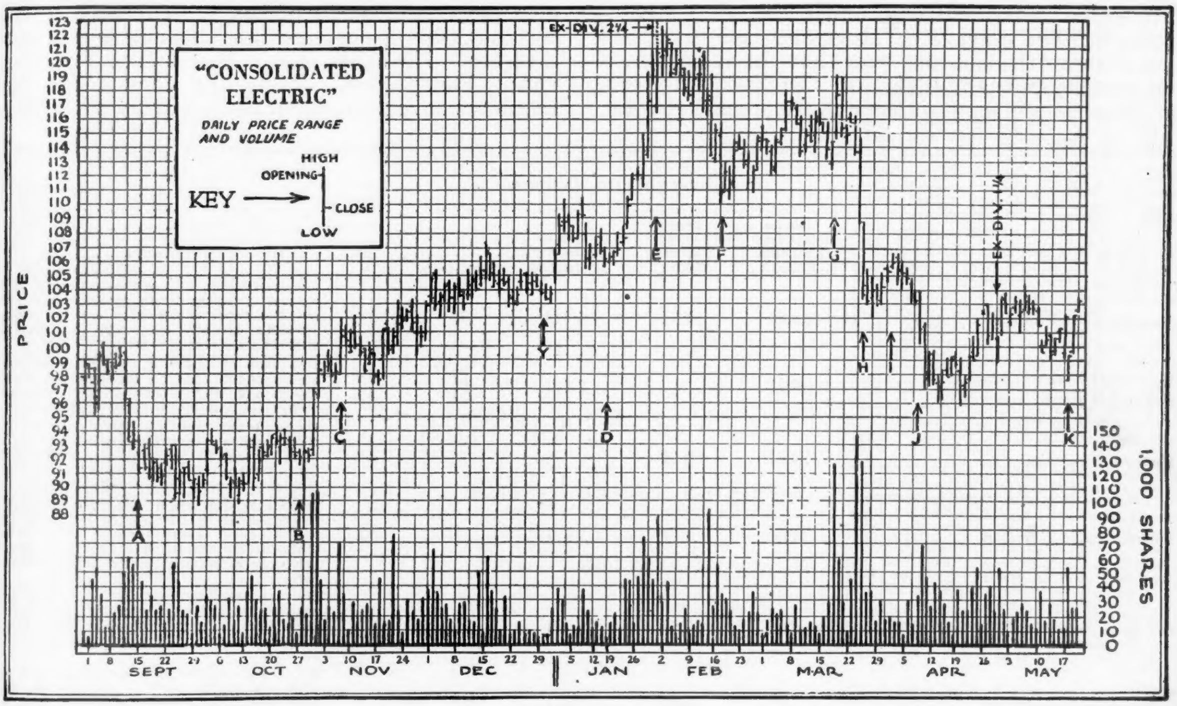

Students Will Find Several Instructive Points in the Following Tabulated Outline of the Manipulative Cycle

Graph Interval	Stage	Weeks Consumed	Price Range	Total Volume of Transactions (1,000 shares)	Volume per Week (1,000 shares)
A—B	Accumulation—1st stage	6	93- 93	922	154
B—C	Clean-up	1	93-102	385	385
C—Y	Accumulation—2d stage	7	97-105	1,063	152
Y—110	Mark-up—1st stage	1	103-110	132	132
110—D	Technical reaction	1	110-105	107	107
D—E	Final mark-up	2	105-122 x-Div.	372	186
A—E	BULL MARKET	18	93-122	2,981	166
E—F	Distribution—1st stage	2	122-110	442	221
F—G	Secondary rally	4	110-119	604	151
G—H	Distribution—2d stage	1	119-103	410	410
H—I	Technical rally	1	102-106	154	154
I—J	Final drive	1	106- 97	188	188
E—J	BEAR MARKET	9	122- 97	1,798	200
J—K	Re-accumulation	5	97- 99	872	174

So great was the activity during this manipulative cycle that the entire outstanding common stock was turned over more than eleven times. Very likely a fourth of the transactions were for pool account.

Stocks Paying from $2 to $7 Dividends Rated According to Their Prospects for Price Enhancement

THIS tabulation of common stocks is designed to present the relative market value of 193 issues, all of which are on a cash dividend basis. Only stocks whose dividends are in round dollars per share between $2 and $7 per annum have been chosen. They have been grouped into $2, $3—to $7 payers. Otherwise their sequence has no significance, the grading as to investment attraction being entirely under the COMMENT column. [The average earnings and cash dividends per share of the last four years have been calculated on present day capitalization. "Rights" have been credited as dividends at their average market value between their time of issuance and expiration, the object being to show the net possible cash return per share of stock held since 1922. The ratio of current assets to current liabilities is taken from the balance sheet of the last fiscal year.] It will be noted that the dividend range covered in this table embraces a majority of the important and attractive issues; hence it is, in a sense, a digest of a large component of the present market, and for that reason possesses an unusual value to the investor. The table should be retained for reference. For purpose of reading convenience, the footnotes have been duplicated on every other page.

$2 Dividend Issues

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
American Can Co.	p3.80	p0.75	4.3:1	58	3.5	Over-capitalization at inception relieved by re-investment of earnings for long period of years. Now one of strongest of industrials and still growing. Immediate prospects fairly well discounted, but stock is sound long-pull holding.
Barnsdall Corp. Class A Barnsdall Corp. Class B	p0.97	...	2.2:1	27 24	7.4 8.3	Both classes of stock alike except for voting power, which rests with Class A. Recent purchase of Waite Phillips and other valuable properties strengthens position and brightens speculative outlook.
Brown Shoe Co.	k4.01	0.92	3.7:1	31	6.5	Middle Western shoe manufacturer with successful record. Strong financial condition; good earning capacity under all but exceptional business conditions. Common shares split three for one last March. Moderately attractive for long pull.
Burns Bros. Class B	f2.50	1.67	3.3:1	36	5.6	Company benefited greatly from strike in anthracite regions deriving large profits from sale of coal substitutes. Return to normal may be followed by less spectacular performance. High dividend on Class A burdensome in the past. Class B relatively unattractive.
Butte & Superior Mining	0.61	0.88	10.9:1	10	20.0	Zinc and copper producer which has enjoyed much prosperity and paid out substantial dividends in past. Better grade ore reserves have dwindled and present dividend largely in nature of return of capital. Not attractive.
California Petroleum	1.87	0.81	3.8:1	34	5.9	One of few remaining large independents on Pacific Coast. Consistently prosperous in recent years. Formerly concentrated on production, but activities have been extended through recent acquisitions. Good consolidation prospect.
Commercial Credit Corp.	p2.44	p0.94	1.6:1	28	7.1	Company has long and satisfactory earning record, capable management and liberal dividend policy. Has speculative promise.
Corn Products Refining	3.21	1.88	12.5:1	46	4.4	Among first of large consolidations. Reinvestment of earnings and good management have developed highly profitable business. Now working out of temporary lull occasioned by high corn and low sugar. Good long range holding.
Cuban American Sugar Co.	j4.03	1.62	6.7:1	25	8.0	Unlike most Cuban sugar producers, company has been able to maintain dividend but at reduced rate. Low cost producer and finances good. Normal earnings should eventually be restored, but best to avoid stock until sugar outlook is more clearly defined.
Dome Mines, Ltd.	f1.89	1.44	2.5:1	13	15.3	Ontario gold producer. Formation of properties is such that extent of ore reserves is difficult to determine. Operating costs reduced, but properties have probably seen best days. Good yield but dubious speculation.
Eaton Axle & Spring	eg1.70.	e1.25	2.3:1	29	6.9	Dependent on automotive industry and hence subject to its vicissitudes. Financial condition not as strong as might be. Purely speculative issue in unattractive position.
Electric Refrigeration	b2.57	...	3.4:1	75	2.7	Consolidation of Nizer and Kelvinator. Out of development stage and showing good results for shareholders, but current price sets sufficiently liberal estimate on immediate prospects.
Fleischmann Co.	2.23	1.18	5.0:1	48	4.2	Revenues derived principally from production of yeast in which line company practically dominates. Morgan's have minority interest. Revenues have shown progressive expansion over long period of years. No indication of halt, but stock price has considerably outdistanced growth of business and nearby prospects.
Gen. Outdoor Advert. V.T. certificates	m2.05	...	2.4:1	29	6.9	Consolidation leading outdoor advertising concerns of the East. Competition largely eliminated. Earnings showing gradual expansion, but dividend requirements on the voting trust ctfs. covered by too small a margin to render issue attractive.

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
General Refractories	2.89	1.81	2.8:1	43	4.7	Refractory materials manufactured by company used principally in iron and steel and non-ferrous, glass, pottery, lime and cement industries. Earnings, accordingly, show wide variation with distinct upward trend since 1921. Speculative issue with limited appeal.
Glidden Co.	1.91	...	2.7:1	17	11.6	Industrial competition very keen and earnings subject to wide variation. Earning power not definitely established and has recently shown decline. Only fair speculative possibility under favorable market conditions.
Gould Coupler Cl. A................	3.50	c1.50	3.1:1	18	11.1	Railway accessory manufacturer controlled by the Symington Corp. Unsatisfactory earning record in recent years and very poor showing in 1925. Outlook cloudy. High yield indicates doubt as to continuation of dividends.
Inspiration Copper	1.49	0.75	2.1:1	25	8.0	Extensive ore reserves but high cost producer of copper. Large amount of stock held by Anaconda. Offers no great attraction for prospective enhancement in market value with copper at 14 cents.
International Combustion Eng.	1.32	1.07	4.8:1	53	3.8	Specializes in development of fuel saving devices and controls many valuable patents. Operations, domestic as well as foreign, are extensive. Still in process of developing its business which has large potentialities. Present position of stock speculative, but has promising possibilities for patient holder.
International Nickel	1.10	0.25	7.6:1	38	5.3	Holds predominant position in world's nickel industry. Well fortified with ore reserves and financial resources. Shares not outstandingly attractive on current yield basis, but have promising future. Company steadily developing new uses for nickel and should show increasing net profits over period of years.
Loew's Inc.	h2.91	1.13	3.3:1	37	5.4	Exhibits through over 100 theatres. Also producer and distributor of motion pictures through subsidiaries. Controls Matro-Goldwyn, whose earnings at present are showing up very favorably. Earnings justify higher dividend.
Lorillard, P. Co....................	3.81	3.00	2.5:1	34	5.9	Has not kept pace with other large units of segregated tobacco combine, due to drop in demand for higher-priced cigarettes. Financial position strong, but dividend recently reduced. May improve status through new products. Now unattractive.
Ludlum Steel Co.....................	2.45	0.93	8.0:1	38	5.3	While company is in sound financial position, earning record has been satisfactory only under generally favorable industrial conditions. Largely speculative.
Marlin Rockwell	d2.88	d1.25	4.8:1	30	6.7	Former maker of firearms and special steel products which has transferred activities solely to manufacture of ball bearings for automobile industry with good results. Business subject to material variation. Company must face strongly entrenched competitors. Shares purely speculative.
Martin Parry Corp..................	h3.57	2.45	2.5:1	22	9.1	Has fairly good but variable earnings record. Commercial body manufacturing business faces many variable influences, hence stock is in speculative category. Financial position good and current div. reasonably well protected, but shares seem high enough.
Maytag Co.	a	a	3.0·1	23	8.7	Dominant factor in production of washing machines and has shown excellent progress over period of years, but is burdened with top heavy capitalization that robs the shares of speculative attraction.
Miller Rubber Co.	p6.05	0.30	5.5:1	36	5.6	Prominent tire company with diversified output of rubber products enjoying able management but spotty earnings record. Conditions within industry render outlook rather dubious despite gains reported earlier in year.
Motor Wheel Corp.	2.21	1.01	4.8:1	24	8.3	One of three largest manufacturers of automobile wheels. Business at best variable, but has obtained its share with consistency. Has partial control of balloon tire patents, potential value of which is uncertain. Dividend usually well covered, but immediate outlook problematical.
N. Y. Air Brake	4.91	2.38	8.6:1	40	5.0	Capitalization simplified by redemption of Class A stock on July 1, 1926, leaving but 2 millions funded debt, of which 1 million is held in treasury, ahead of common. Strong financial condition and indications of improved earnings render common fairly attractive speculation.
N. Y. Canners	d4.64	0.98	2.2:1	46	4.4	Elimination of funded debt and substitution of $6 preferred stock for original 7% and 8% preferred shares has strengthened position of common. Pays 5% stock div. in addition to $2 cash. Fair average earning power in last four years. Stock overexploited early in year, but now selling on reasonably attractive basis.
Oil Well Supply Co.	c3.85	a	2.3:1	31	6.5	Successful manufacturer of drilling equipment showing expansion of earnings on current prosperity of oil industry. Business in first four months of 1926 over 50% ahead of last year. Outlook favorable.
Orpheum Circuit	1.73	0.79	5.2:1	21	6.5	Expansion plans and elimination of 1.1 million of bonds this year places stock in better speculative position. Satisfactory earnings with moderate uptrend.
Packard Motor Car	h2.27	1.19	3.4:1	43	4.7	Excellent showing in 1925, followed by good results in year to date. In exceptionally strong financial position. Liberal dividend policy justified by present and prospective earnings. Still fairly attractive.
Pan.-Amer. Western Pet., Class B....	n3.82	c0.50	2.8:1	39	5.1	Market possibilities clouded by long litigation concerning leases on Government Naval Reserve No. 1, which is principal source of crude supply. Earned almost $8.50 a share last year on contract with Naval Reserve receiver.

EXPLANATION OF FOOTNOTES

a No early data. b New company—earnings and dividends from consolidated accounts of principal constituents. c Paid or earned in 1925 only. d 1924-25 average. e 1923-4-5 average. f Fiscal year ending March 31. g Fiscal year ending June 30. h Fiscal year ending Aug. 31. j Fiscal year ending Sept. 30. k Fiscal year ending Oct. 31. m Ten months, 1925, only. n Earnings on A & B combined. p 1926 capitalization. q N. C. R. Co. of Ohio averaged $8 on old $100 par common; initial dividend on A stock 4-15-26. r Properties operated under lease to I. R. T. s Holding Co. ratio of no significance. t Essentially a banking concern—ratio of no significance. u On total capital stock.

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Shattuck, Frank G., Co............	2.93	c1.50	1.3:1	66	3.0	Operates popular and successful chain of restaurant and candy stores in Greater New York, Syracuse and Boston. Pursuing well-directed policy of expansion. Stock selling well above present and nearby earning prospects and affords small yield to compensate speculative risk.
Skelly Oil Co.	1.82	0.13	2.5:1	35	5.7	Handicapped in lack of adequate marketing facilities. Earnings on upgrade. Outlook for stock uncertain, except for possibility of renewed speculative interest on merger rumors.
Standard Oil of California	2.85	1.89	3.2:1	62	3.2	Position of company greatly strengthened by acquisition of crude oil supply in recent Pacific Oil Co. merger. Company's dominant position on West Coast entitles shares to investment classification, but market possibilities are limited at present.
Symington Class A	4.25	c1.50	3.5:1	16	12.5	Manufactures railroad equipment of various kinds. Has yet to demonstrate earning power commensurate with capitalization of present company organized 2 years ago to succeed old business. Dividend cumulative but none too secure.
Union Oil of California	3.32	1.71	6.8:1	53	3.8	One of the largest independent producers, owning valuable acreage and enjoying good management. Merger possibilities lend speculative interest to the issue, which has investment standing as well.
United Alloy Steel	2.53	1.31	2.3:1	34	5.9	Secondary steel manufacturer, only moderately successful to date. Some improvement noted recently but hardly sufficient to render shares attractive. Earning power far from satisfactory during subnormal periods.
United Cigar Stores	4.11	1.98	2.0:1	99	2.0	Practically a depression-proof business. Small floating supply of stock; 88% being owned by Tobacco Products. Extension of sales lines increase net profit without increasing overhead to any extent. Has been an exceptionally profitable holding. High enough.
Utilities Power & Light Class A....	a	c1.50	3.2:1	30	6.7	Holding company with New Jersey, Iowa and Minnesota properties primarily. "A" stock dividend earned by good margin and increasing earnings point to fair gain in quotations in time.
Weston Electrical Instrum. Class A...	d5.13	...	12.7:1	31	6.5	Prior capital obligation of sound company specializing in manufacture of electrical measuring instruments. Shares equally with common in all divs. over $1 a share on latter. In favorable position due to consistent gains in net income.
White Eagle Oil	3.16	1.89	5.0:1	27	7.4	Small unit in the industry with completely rounded activities, but facing strong competition from larger companies. Has rather limited market possibilities and would occupy weak position in event of setbacks for industry.
White Rock Mineral Springs........	e3.12	0.98	1.9:1	29	6.9	One of principal factors and participants in soft drink industry which has become the vogue in recent years. Exceptionally strong working capital position. Participation clause in second preferred stock limits earnings for common. Speculative issue with some promise on present yield and earnings basis.

$3 Dividend Issues

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Amer. Safety Razor	4.34	2.00	5.2:1	60	5.0	Showing steady expansion in earnings over period of years. Further progress along constructive lines indicated. Decline from high levels reached in earlier months has brought stock to more reasonable price.
Amer. Steel Foundries	4.80	2.42	6.7:1	42	7.1	Railroad supply and accessory company whose operations have been conducted profitably for many years. Strong in working capital. No large speculative possibilities, but affords liberal yield. Attractive spec-vestment.
Amer. Chicle Co.	3.20	...	6.1:1	40	7.5	Resumption of common dividends in June follows three years of financial "house cleaning," necessitated by difficulties of 1920-1921. Company again on sound footing with earning power restored. Speculative possibilities of fair order in common.
Anaconda Copper Co.	3.05	1.50	4.7:1	50	6.0	The "U. S. Steel" of the copper industry by virtue of its acquisitions of Chile Copper and American Brass in 1922-1923. Now also heavily interested in zinc and coal enterprise in Upper Silesia. Promising holding in rising copper market with good immediate prospects.
Artloom	c7.31	c ...	8.8:1	55	5.5	Consolidation of three upholstery and fabric manufacturers. Good financial condition. No funded or floating debt. Satisfactory earning power, but issue is relatively inactive and unseasoned.
Bangor & Aroostook	5.77	2.50	1.5:1	40	7.5	Operates principally in famous potato and lumber region of Maine. Earnings twice dividend rate and are well sustained. Yield at prevailing prices good, while stock appears entitled to a fair advance.
Belding Hemingway	b3.19	b0.38	14.5:1	31	9.7	Has shown operating profit in all but one of 62 years of existence. Dominant factor in production of silk thread. Alliance with Hemingway reduces competition to minimum. Very strong financial position. Ability to support dividends on new capitalization not yet assured, however.
Briggs Manufacturing Co...........	j2.31	1.13	2.9:1	29	10.3	Changes in motor body construction in 1925 seriously hampered operations, affecting income account to considerable degree. Net 30% below 1924. Some improvement noted lately, but uncertain outlook for automotive manufacturers generally prevents rating stock as attractive.
Burroughs Adding Mach.............	6.04	3.43	12.5:1	105	2.9	Solidly established maker of calculating, adding and similar business machines. Capitalization rather generous in relation to per share earnings, though extremely well fortified by assets, working capital being equivalent to more than $50 a share of common. Unattractive on current or prospective yield basis. Recently declared $1 extra.

	Average Earnings \$ per Share 1922-25	Average Dividends \$ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Chrysler Corp.	a	a	3.5:1	38	7.9	Goodwill account generously capitalized and inventories also seem high. Considerable portion of the cream removed from issue when stock was split up. Not desirable for investment purposes and has little speculative attraction at present.
Congress Cigar	d4.16	...	2.2:1	43	7.0	Expanding profits through mass production of single brand, popular priced cigar. Present level has largely discounted general improvement in cigar industry as well as improved outlook for company.
Cushman's Sons	4.77	2.19	1.7:1	100	3.0	Company rather generously capitalized. Goodwill account carried at more than three millions. Earnings expanding, but market has outrun such gains, hence not attractive at present levels.
General Amer. Tank Car	3.08	2.50	4.2:1	43	7.0	Earnings more or less static. Substantial share of revenues derived from rental of tank car fleet, hence not materially affected by shifting railroad equipment demand. Strong company with long pull possibilities in development of new tank car equipment and tank storage terminals.
General Electric (new)	p4.69	1.98	6.8:1	89	3.3	The most successful company in its industry. Abundant working capital and surplus. Position well nigh impregnable, promising future, but price high enough.
Hayes Wheel	5.92	2.77	5.5:1	34	8.8	One of three largest automobile wheel makers. Earnings fluctuate widely even for motor car equipment concern. Good year in 1925, but failed to cover dividend in 1st quarter 1926. Questionable purchase at this time.
Howe Sound	0.98	0.16	2.8:1	37	8.1	Only fair results from the medium cost copper mines in British Columbia more than offset by large profits from newly developed zinc-lead properties in Mexico. Situation somewhat discounted in market, but still offers some attraction for few months' holding.
Intern'l Business Machine	p3.68	1.78	5.8:1	48	6.3	Continued and increasing use of mechanical devices by business organizations and stores improves this company's possibilities as it has practically a monopoly in the field through patents. Earnings well in excess of dividend requirements. Good long pull possibilities.
Ingersoll Rand	5.11	4.00	12.9:1	91	3.3	Leader in manufacture of air compressors, rock drills and similar products used in mining, tunneling and quarrying industries. Has long record of excellent earnings and very strong in respect to fixed and liquid assets. Developing oil-electric Diesel engine in conjunction with General Electric and American Locomotive. Sound issue but high enough.
Jordan Motor Car	3.87	1.62	1.9:1	22	13.6	Progress rapid up to 1925, but peak of prosperity appears to have been reached and passed. An assembling proposition. Will probably suffer from keener competition. Stock seemingly unattractive despite more than 50% decline.
Kayser, J. & Co	6.91	0.19	10.5:1	38	7.9	As one of largest silk hosiery and underwear manufacturers suffered from depressed trade conditions affecting its line in 1923 and 1924. Considerable improvement shown in late year, but existing situation appears well discounted marketwise.
Lehn & Fink Products	a	a	9.3:1	40	7.5	Constituent companies have shown remarkable expansion over lengthy period, but average earnings of \$4 a share on the present stock over a four-year period appear discounted marketwise. Aside from the normal growth of the business there is little to warrant selection as an exceptional opportunity.
Liggett & Myers Liggett & Myers Cl. B	4.66	10.60	15.0:1	85 85	3.5 3.5	Vies with Reynolds in point of prosperity as manufacturer of cigarettes. Financial position very strong, working capital being almost \$100,000,000. Cash exceeds \$18,000,000. Could comfortably support higher dividend rate. Both issues still fairly attractive.
Magma Copper	0.49	0.38	5.2:1	41	7.3	One of lowest cost producers, especially in comparison with U. S. companies. Has retired all indebtedness with only 2 or 3 years of active production. One of more attractive mining issues.
Moon Motor Car	4.55	2.34	4.3:1	25	12.0	Present high yield indicates instability of dividend payments at current rate. An assembling proposition. Did well in 1925, but likely to encounter hard sledding in later months. Unattractive.
Nat'l Cash Register, Cl. A	qd5.07	q	6.7:1	45	6.7	Dominant position of company in its line likely to assure earnings sufficient to support present capital structure. Class A, being essentially a preferred stock, has limited market possibilities.
National Dairy Products	a	a	1.6:1	71	4.2	Operates in depression-proof industry. Aggressive expansion policy being followed, which promises to be productive of highly profitable results. Earnings resulting from normal growth of business should show steady upward tendency. Attractive for long pull.
Oppenheim Collins	a	a	2.7:1	54	5.6	Operates chain of women and children's wearing apparel stores in seven leading eastern cities. Gross sales and net income quite stable. Stock is sound, but in absence of indications of material growth, possibilities are limited.
Owens Bottle	4.57	2.69	8.0:1	71	4.2	Stable earner, strong financial condition. Largest manufacturer of glass bottles. Also derives royalties from use of Owens automatic bottling machine by competitors. Stock not very active, but with extras paid offers fair yield.
Pathe Exchange, Cl. A	n4.96	...	7.3:1	56	5.4	Acknowledged pioneer in moving picture industry. Introduced moving pictures in America as a commercial enterprise. Introduction of Pathex camera and projector for amateur use opens up new field for profit. Doing well and seems to have good outlook. Appears undervalued.

EXPLANATION OF FOOTNOTES

a No early data. b New company—earnings and dividends from consolidated accounts of principal constituents. c Paid or earned in 1925 only. d 1924-25 average. e 1923-4-5 average. f Fiscal year ending March 31. g Fiscal year ending June 30. h Fiscal year ending Aug. 31. j Fiscal year ending Sept. 30. k Fiscal year ending Oct. 31. m Ten months, 1925, only. n Earnings on A & B combined. p 1926 capitalization. q N. C. R. Co. of Ohio averaged \$8 on old \$100 par common; initial dividend on A stock 4-15-26. r Properties operated under lease to I. R. T. s Holding Co. ratio of no significance. t Essentially a banking concern—ratio of no significance. u On total capital stock.

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Pennsylvania R. R.	4.61	2.81	1.4:1	53	5.7	The greatest railroad in the world, Pennsylvania is in a position where it will find it easy to increase its dividend rate. While not likely to have a spectacular run-up, its investment value should enhance.
Phillips Petroleum	2.98	1.25	4.5:1	48	6.3	Controls large supply of crude oil and casing head gasoline. Company' would be valuable acquisition for large refining unit desiring to fortify its crude supply. Present level warranted on earnings with additional prospects on merger probabilities.
Reid Ice Cream Co.	d6.40	c2.25	3.2:1	43	7.0	Career closely parallels that of National Dairy Products, expansion having been rapid since incorporation in present form. Earnings keeping due pace with growth to date. Outlook from trade and earning standpoint excellent. Seems undervalued.
Standard Gas & Electric	3.44	1.03	1.2:1	55	5.5	Byllesby system whose recent control of Pittsburgh and San Francisco utilities has more than doubled its scope. New system is one of the greatest utility corporations. Capital structure sound and earnings position should invite advance over present price.
Texas Co.	3.83	3.00	7.1:1	54	5.6	Complete cycle in oil industry. Independent company with record comparable to best of Standard Oil units. Conservative dividend policy. Ranks among investment oils. Room for price enhancement.
Timken Roller Bearing	6.13	3.25	8.0:1	53	5.7	Has achieved fair stability despite fluctuating motor car output, through practical monopoly on tapered roller bearing. At present adapting product for railroad use. $1 extra dividend almost regular. Good yield. Fairly attractive.
United States Tobacco	4.62	2.97	37.0:1	64	4.7	Snuff manufacturer, offshoot of original American Tobacco Trust. Earning power well developed and apparently gaining somewhat at expense of competitors. Current assets of 16.33 millions compare with but $447,712 current liabilities. Price making allowance for anticipated extra distribution.
Vanadium Corporation	1.78	0.25	10.5:1	36	8.3	Came into existence under auspicious circumstances, but initial promise has failed to materialize. Record of inferior earnings. Upturn in net during 1925 and subsequently may not prove of long duration. Little incentive to retain the stock.

$4 Dividend Issues

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Abitibi Power & Paper	9.75	3.50	2.7:1	76	5.3	Large Canadian newsprint manufacturer. Owns important water-power properties. Consistent record of earnings substantially in excess of requirements. Lack of familiarity of public with the company probably explains present low value of stock, although higher prices seem justified.
Air Reduction	8.17	4.04	5.9:1	119	3.4	Long record of superior earnings, but full results probably do not appear in earning statements. Policy of ploughing back surplus earnings building up large equities for common. Further progress along present lines should eventually result in a "melon" of some sort.
Allied Chem. & Dye	7.20	4.00	11.0:1	130	3.1	One of the great chemical manufacturers with well diversified line of products. Strong financial position maintains shares at level in excess of what is warranted by present and prospective earnings.
Amer. Metal Co., Ltd.	4.30	2.82	3.5:1	52	7.7	Stability of earnings and small prior obligations entitle shares to investment consideration. Stock well held. Large block owned by Cerro de Pasco. Good long range enhancement possibilities.
Amer. Radiator Co.	9.03	2.78	5.8:1	110	3.6	Favored in recent years by tremendous building activity. Company in strong financial position. Present level based on distribution of surplus profits, which, however, is problematical.
Brooklyn-Manhattan Tran.	d-g3.94	...	2.1:1	63	6.4	After re-organization, and on a five-cent fare basis, company has shown remarkable steady progress in earning power. Operates in growing territory. In the event of a more liberal fare policy, stock should make spectacular gains.
Calumet & Arizona	1.30	2.88	7.2:1	67	6.0	Continuous 25-year dividend record. Continued richness of ores at depth and no indications of early exhaustion. Medium cost producer, but has large equity in the low cost New Cornelia. Frequent extra dividends. Has good possibilities.
Cerro de Pasco Copper	2.68	2.92	7.0:1	66	6.1	Property, located in Peru, South America, is one of lowest cost copper producers in world. Ore reserves extensive and high in silver content. Earnings and dividends seem in line for gradual increase.
Certainteed Products	1.85	0.50	7.0:1	48	8.3	Large manufacturer of roofings, linoleums, floor coverings, etc. Considerable improvement in earning power in recent years, but large increase in outstanding stock renders dividend rate somewhat less secure.
Chicago & Northwestern	5.14	4.38	1.8:1	70	5.6	1926 earnings indicate appreciable gains over 1925. Earnings should pass $7 level this year. Stock at fair price with reference to present earning power and dividend, and will work up slowly. Recency of recovery in earning power a factor.
Chicago Yellow Cab	5.17	3.00	1.4:1	44	9.1	Has capable and energetic management. Stock a speculation subject to changing market conditions, but selling on rather liberal yield basis in view of developed earning power.
Columbian Carbon	5.90	3.77	9.2:1	63	6.4	Controls extensive natural gas properties and manufactures various products derived from natural gas, chiefly carbon black. Simple capital structure and increasing earnings. Has advantage over competitors in diversity of product and gas holdings.
Coty, Inc.	e6.05	e1.20	6.1:1	51	7.8	American manufacturing and distributive branch of famous French perfume and cosmetic company. Capital structure simple, consisting solely of common shares on which earnings have shown progressive yearly increase since organization in 1922. Small asset value and lack of seasoning, however, renders issue speculative.

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Cuba Co.	6.03	2.25	1.9:1	52	7.7	Primarily a holding company controlling sugar properties and Con. Rys. of Cuba. Recently called 10 millions in bonds and gave stockholders subscription privileges to Pfd. Stock of Con. Rys. Effect of this conversion on earning power problematical. Apparently high enough.
Cuyamel Fruit Co.	4.52	2.50	8.2:1	47	8.5	Earnings have been subect to rather severe fluctuations, falling below dividend payments on capital stock in past two years. Immediate outlook not particularly impressive. Shares occupy speculative position.
Eureka Vacuum Cleaner	5.42	1.15	6.2:1	54	7.4	Ably managed company with marketing advantage through mass production of single model. Recently increased production to take care of expanding sales. Although past record is impressive, market possibilities appear limited at current levels.
Fox Film, Cl. A	n4.45	a	12.4:1	73	5.5	Company occupies pominent position in motion picture field but present earning power is not sufficient to warrant including the Class A stock among attractive issues. Margin above dividend requirements hardly justifies present prices.
General Cigar	p5.43	3.50	17.5:1	54	7.4	Manufacturer, distributer and jobber of sundry popular brands of cigars accounting for approximately 10% of country's output. In excellent financial condition. Good average earning power. Should show improvement in keeping with trend of industry but more immediate prospects discounted.
Gen. Outdoor Advertising, Cl. A	m14.31	m3.00	2.4:1	52	7.7	Senior profit sharing issue of leading outdoor advertising concern of the East. Earnings fairly stable, rendering the shares suitable for income purposes. Normal growth in prospect imparts a favorable speculative element.
Gen. Railway Signal	e2.88	2.12	2.9:1	87	4.6	Company is now doing the largest business in its history due to I.C.C. requiring railroads to equip with automatic signal control. Earnings should increase. Good long pull holding.
Goodrich, B. F. Co.	8.00	0.50	3.5:1	49	8.2	Has valuable adjunct to tire line in Zipper footwear which stabilizes seasonal sales fluctuations. Inventories at present high and some loss may result on readjustment. Company has demonstrated good earning power and issue has fair long range possibilities.
International Cement	4.97	2.64	2.8:1	59	6.8	Well managed enterprise which has shown steadily increasing earnings since organization a few years ago, aided by building boom. Present situation none too favorable because of overproduction by cement industry. Purchases of stock should be deferred.
Kennecott Copper	2.14	1.95	5.3:1	55	7.3	Extensive producing properties widely diversified as to territory. Average cost of production low. Stock one of most desirable in mining group from investment standpoint.
Kinney G. R.	e10.01	e0.63	3.7:1	62	6.5	Operates extensive chain of shoe stores and six factories. Sales show good yearly expansion and net income has risen steadily in recent years. Shares rather closely held and dividends moderate in relation to earnings due to policy of reinvestment of surplus in business. Not especially attractive at current levels.
Lima Locomotive	4.64	3.20	5.5:1	62	6.5	Well managed railroad locomotive builder, considerably smaller than its 2 large competitors, but nevertheless a decided factor in the trade. Earnings inevitably erratic, but should average satisfactorily over period of years.
Long Bell Lumber, Cl. A	d7.43	c4.00	2.2:1	45	8.9	Earnings in recent years have been fairly stable and provide margin over preference dividend on Class A. Essentially a fixed income issue with long range possibilities for dividend participation in surplus earnings.
Marland Oil Co	3.32	1.09	5.7:1	57	7.00	Expansion of earnings in past few years largely due to company's ability to buy crude at advantage in Mid-continent district. Sound company enjoying strong sponsorship. Good prospects.
Mathieson Alkali Co.	5.81	...	3.5:1	82	4.9	Under present management, company has made marked strides in recent years and now occupies strong position. Not immediately attractive owing to relatively low income return but shares have promise for patient holder in view of improved earning power and longer range prospects.
National Biscuit Co.	5.21	3.00	7.2:1	94	4.3	Possibilities good for improving an already well established and satisfactory earning record. Dividend policy conservative. An investment common stock, but current price places liberal appraisal on immediate prospects.
National Supply	e8.49	3.00	10.0:1	61	6.6	Supplies equipment of every description to oil industry. Earnings reflect erratic character of industry to some extent, but average well. Asset position very strong. Stock reasonably priced at current market.
National Tea Co.	7.06	2.45	2.5:1	160	2.5	Grocery store enterprise controlling number of units in Chicago and vicinity. A growing concern, free of funded debt. Market for stock has, however, considerably outdistanced actual and prospective earnings. Subject to wide price movements.
Philadelphia Co.	6.44	3.63	3.8:1	71	5.6	Recent absorption of Philadelphia Co. system into Standard Gas & Electric system has resulted in offer to exchange stocks. Subsidiaries of Philadelphia Co. are undervalued, and progressive improvement in earnings adds great strength to Standard Gas & Electric. Shares high enough.
Reading	6.31	9.88	1.1:1	95	4.2	Road with extensive coal business, both anthracite and bituminous, controlling Central of New Jersey and in turn dominated by N. Y. Central and B. & O. Assets at least $30 above present quotation.

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	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Safety Cable Co.	b6.55	7.25	4.3:1	50	8.0	Does reasonably profitable and relatively stable business in manufacture and distribution of copper and lead wires and cables for electrical uses. In comfortable financial position. Speculative possibilities do not bulk large but yield liberal and issue attractive on income basis.
Savage Arms Co.	4.43	...	9.0:1	81	4.9	Past record unsatisfactory, earnings fluctuating over wide area from year to year. Stock subject to wide swings in market. Company doing fairly well at present but uncertainty as to future renders stock rather risky holding.
Southern Dairies, Cl. A	3.78	...	2.1:1	52	7.7	Rapidly expanding field of operations in the South. Climatic conditions in territories served assure satisfactory earnings during winter months. 1925 net almost twice Class A requirements. Stock suitable for income purposes, though not well seasoned.
Underwood Typewriter	4.59	2.97	4.2:1	55	7.3	Long record of continuous prosperity achieved through sound financial policies and adaptability in developing new products to meet changing conditions. Stock attractive for income and eventual profit.
United Fruit Co.	p8.21	3.55	5.0:1	111	3.6	Eminently successful shipping concern with substantial sugar and banana interests. Has paid liberal dividends in the past and possibilities not yet exhausted, but not especially attractive at present.
U. S. Realty Improvement	p4.70	1.22	2.5:1	61	6.6	Fiscal year ended April 30, 1926, best in history of company; earned over $8 on common, half of which was earned on New York City realty holdings. Outlook good; 50 million dollars of unfilled business of new construction work on books at beginning of year.
Weber & Heilbroner	4.93	2.54	5.0:1	59	6.8	Chain of men's furnishing stores in Greater New York which has good record of earnings in recent years and appears in sound financial condition. Over-exploitation of shares in early 1926 bull market has tended to detract from desirability. Not especially attractive at present.
Westinghouse Electric & Mfg. Co.	f6.05	3.67	7.5:1	69	5.8	Second only to General Electric in electrical equipment field. Steady earning power in excess of dividend requirements and impregnable position financially. Its products afford ample scope for expansion. Good investment common stock.
White Motors	9.94	4.00	5.7:1	58	6.9	Important factor in manufacture of trucks and busses, a line in which possibilities of expansion are almost unlimited. Strong financially and expansion conducted along sound conservative lines. Stock attractive for long term.
Woolworth, F. W., Co.	8.00	2.50	9.3:1	170	2.4	Leader in profitable ten cent store field. Possibilities for long term growth by no means exhausted, but shares have been generously exploited marketwise. Current price sets liberal premium on future dividend and earning prospects.
Yale & Towne Mfg. Co.	6.18	5.00	7.1:1	68	5.9	Sound "old line" New England industrial. Operations hampered by post-war deflation but has shown steady progress in recent years. Stock attractive for permanent income purposes.
Youngstown Sheet & Tube	e11.33	4.02	5.0:1	79	5.1	Practically complete cycle in steel making industry. Unusually strong financial position. Likely to surpass last year's showing of around $13 a share earned on the common. Palpably undervalued.

$5 Dividend Issues

American Sugar Refining	4.25	...	10.0:1	69	7.3	Exceptionally abundant supply of working capital a redeeming feature in otherwise colorless prospect. Refinery earnings have not been good in recent years and outlook is still too uncertain to lend other than speculative flavor to stock under existing conditions.
Baltimore & Ohio	8.97	2.81	2.0:1	95	5.3	Steady gain in earning power, passing $13 in 1926 will make an advance to $7 in dividend rate possible. Relation to Reading may prove constructive.
Chicago Pneumatic Tool	6.30	4.97	3.4:1	114	4.4	Earnings not greatly in excess of dividend requirements. Bank loans are large and surplus rather low. Not a desirable investment and speculative opportunity limited. Stock subject to wide market fluctuations.
Cluett Peabody	9.01	3.57	15.2:1	64	7.8	Dominant factor in manufacture of shirts and collars. Settlement of litigation with Phillips-Jones removed only serious bar from its progress. Earnings satisfactory and outlook good. Has long range possibilities.
Columbia Gas & Electric	4.08	2.41	1.1:1	82	6.1	Company has conservative dividend policy and earnings permit building of large surplus and cash account. Owns valuable acreage of natural gas, a large portion of which has not been exploited. Operates with little competition in its territory. Common and preferred dividends earned nearly twice over.
Consolidated Gas	7.65	4.12	2.4:1	102	4.9	Of real investment merit. Serves largest population in smallest area in U. S. Should resist pressure of a declining market and follow trend of bond prices under adverse stockmarket conditions. An outright purchase for investment and income.
Continental Can Co.	7.90	2.73	6.4:1	79	6.3	Record over period of years one of steady expansion in earning power. Finances in admirable shape. Outlook excellent. Shares combine investment merit with speculative possibilities.
Crucible Steel Co.	4.04	2.72	4.4:1	74	6.8	Has been making good showing in conformity with other steel companies and is keeping pace with industry in matter of improvements. Earnings running sufficiently above dividend requirements to suggest possibility of speculative advance in shares but issue is rather erratic performer and not especially attractive.

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Electric Storage Battery............	8.50	4.69	6.7:1	85	5.9	In strong financial and cash position. Management capable and operations conducted profitably over a period of years. Desirable holding for patient investor.
Endicott Johnson	7.75	4.79	2.6:1	67	7.5	Originally one of the world's largest manufacturers of lower priced shoes, now important factor in fine shoe trade. Record of stable earnings places stock in semi-investment class.
Gulf States Steel	7.90	4.08	4.7:1	76	6.6	Southern steel producer having own coal and iron mines. No funded debt or bank loans and only small issue of preferred stock. Capable of showing substantial profits under average conditions and an attractive issue in view of prevailing situation in steel industry.
Manhattan Electrical Supply.........	4.11	3.63	2.1:1	84	6.0	A distributer and also manufacturer of sundry electrical supplies, radio apparatus, etc. Has erratic history from viewpoint of net earnings, although showing in last year or so was quite favorable. Common stock only capital obligation and small floating supply encourages sharp market movements. High enough.
Manhattan Elevated, mod. gtd.......	u3.69	u4.50	r	53	9.4	Stock has paid accumulations in 1926, and as an average is capable of earning the 5% return contemplated in agreement with Interborough. On earnings basis high enough, but speculation as to political situation with possibilities of more than a five cent fare make it speculative possibility.
May Department Stores............	11.45	4.75	3.5:1	117	4.3	Well managed and successful department store chain. Earnings show consistent growth. Dividend policy has been conservative but while company could adopt more liberal attitude, shares have sufficiently discounted nearby prospects.
Montana Power	4.62	3.62	1.8:1	82	6.1	Showing steady increase in sale of power. Prospects for the reasonably near future bright. Moderate capitalization and should show satisfactory results for the long pull.
Northern Pacific	6.25	5.12	2.0:1	74	6.8	Improvement in earnings follows increased operating economies. Government suit to recover lands, however, an uncertain factor. Has large asset value and good prospects though I. C. C. has denied rate increase.
Public Service of N. J.............	4.78	2.91	1.8:1	87	5.8	Holding company controlling most important utilities in Northern New Jersey. Present earnings not far above dividend payments, but yield is satisfactory. Stock is capable of slow advance to somewhat higher levels.
Reynolds Tobacco, Cl. B...........	6.79	3.00	10.0:1	97	5.2	Has attained present strong position through aggressive marketing of individual cigarette and smoking tobacco brands. Nothing to indicate checking of growth but current price offers little inducement for investment or speculation.
Standard Milling Co...............	h6.32	4.89	3.7:1	73	6.9	Balance available for common reduced in more recent years by virtue of 60% stock dividend in 1923, as well as lower gross profit. Marked recovery shown last year. Common dividends have been paid at varying rates without break since 1912. Fairly attractive but has erratic market.
Sterling Products	7.30	4.75	6.5:1	87	5.8	Widely diversified business in established household remedies, including Bayer's Aspirin. Company well entrenched financially. Stock has depression proof qualities, reasonably safe but rather high at this time.
Studebaker Co......................	8.36	4.11	4.0:1	52	9.6	Relegated to secondary position in market interest due to spectacular developments in affairs of Chrysler, Nash and others. However, finances remain unimpaired and earnings holding up well. Seems slightly undervalued at current levels.
Union Carbide & Carbon...........	6.10	4.44	4.6:1	85	5.9	Perhaps the most progressive of large chemical corporations in research and in extending profitably its inter-related field of activity. Earnings are larger than indicated, due to allowance for research. Attractive.
Union Tank Car.....................	10.59	3.62	3.3:1	94	5.3	Originally a Standard Oil unit. Income derived chiefly from tank cars leased for transportation of petroleum products. Stable and substantial earning power. Stock dividend of 33⅓% paid last year has tended to dilute per share earnings but stock has long pull possibilities of fair order.

$6 Dividend Issues

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Adams Express	9.90	4.50	3.3:1	114	5.3	Former express company whose business was taken over by American Railway Express during war period. Now derives its income from stock holding in latter and from other investments. Net profits almost static. Current dividend appears secure but stock has no outstanding possibilities.
Allis Chalmers Mfg. Co.............	6.72	4.38	6.0:1	88	6.8	Sound industrial enterprise unobtrusively forging ahead. Earnings have shown steady expansion in recent years. Finances in sound shape. Outlook excellent. Stock not on bargain counter but has good long range possibilities.
American Brake Shoe & F..........	11.52	4.86	5.7:1	123	4.9	While competition in railroad accessory business has tended to increase somewhat, company has carved a secure place in its field and enjoys excellent record. Dividend policy conservative. Financial status strong. Stock, however, seems high enough in relation to dividend return.
American Car & Foundry...........	7.02	6.00	3.5:1	100	6.0	By recent consolidations company has increased and diversified production. Now, directly or indirectly engaged in practically every phase of equipment business. Has no funded debt and very strong capital structure. Desirable long pull holding.

EXPLANATION OF FOOTNOTES

a No early data. b New company—earnings and dividends from consolidated accounts of principal constituents. c Paid or earned in 1925 only. d 1924-25 average. e 1923-4-5 average. f Fiscal year ending March 31. g Fiscal year ending June 30. h Fiscal year ending Aug. 31. j Fiscal year ending Sept. 30. k Fiscal year ending Oct. 31. m Ten months, 1925, only. n Earnings on A & B combined. p 1926 capitalization. q N. C. R. Co. of Ohio averaged $8 on old $100 par common; initial dividend on A stock 4-15-26. r Properties operated under lease to I. R. T. s Holding Co. ratio of no significance. t Essentially a banking concern—ratio of no significance. u On total capital stock.

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
American Express	8.08	6.75	t	123	4.8	Transacts international banking and travel business. Extensive stock holding in Amer. R'way Express and controls Wescott and Wells Fargo. Steady recovery in earnings since war period, restores issue to investment category.
American Railway Express	7.00	6.00	1.1:1	78	7.7	War time successor to practically all railroad express business. Operating under contracts with railroad companies on basis which assures small margin over current dividend until 1928, when present agreements expire. Status thereafter indeterminable now. Speculative.
Delaware, Lackawanna & Western	7.47	6.88	0.6:1	146	4.1	In proportion both to asset value and earning power is out of line with other rail securities and has very limited possibilities of gain in price. Stock almost at maximum figure.
Electric Auto Lite	7.17	4.14	2.7:1	65	9.2	Important manufacture of automobile accessories. Conservatively capitalized. Possesses sound financial position and high earning power. Seems to have promising future. Attractive primarily from speculative angle.
Homestake Mining Co.	2.96	5.88	12.0:1	54	11.1	Old gold mining property now well past its zenith. Greater part of dividend represents liquidation of assets. Not a desirable purchase.
International Harvester	8.90	5.00	6.6:1	127	4.8	Largest of agricultural equipment companies. Its large surplus enabled unbroken dividends to be paid throughout severe post-war deflation in the industry. Stock not too high considering substantial current earnings and ability to increase dividend at will.
International Salt Co.	10.26	6.25	3.2:1	85	7.1	Company is sound and ably managed but stock hardly offers an outstanding investment or speculative opportunity. Earning record variable. Issue comparatively inactive with limited possibilities.
International Shoe Co.	11.06	3.44	8.0:1	150	4.2	World's largest shoe producer. Net sales in 1925 reached 114.27 million dollars following steady gains in preceding years. High earning power and working capital position justify substantial market valuation but at current levels, stock has little speculative or investment appeal.
International Tel. & Tel.	7.54	3.86	3.5:1	123	4.9	Extensive properties in Cuba, Spain, Mexico and other Latin Countries. Price in line with earnings. Could pay larger dividends but is diverting capital to development and expansion. Future prospects make it good long-pull investment.
Kelsey Wheel	12.49	6.00	12.7:1	98	6.1	One of most successful of automobile accessory companies. Supplies rims, wheels, bodies and the like, products being fairly well diversified. No bonded or floating debt. Not too high on basis of earnings and financial position but relatively inactive market detracts somewhat from stock's attractiveness.
Louisville & Nashville	11.06	5.35	3.0:1	136	4.4	Relations with Atlantic Coast Line, which owns 51% of the stock, contains constructive possibilities. Present earning power gaining slowly, but company could pay much larger dividend permanently.
Mack Trucks	8.20	2.42	5.3:1	124	4.8	Through aggressive policies, company is in very strong competitive position in volume of output of commercial motor vehicles. No apparent reason for important reversal in upward trend of earnings. Stock volatile but presents attractive features.
Otis Elevator Co.	10.30	4.88	5.3:1	119	5.0	Enjoys dominant position in its field. Its business greatly stimulated recent building, earnings are well in excess of dividend requirements and substantial reserves have been set up. While sound, shares appear high enough.
Pan-Am. Petroleum & Transport	8.58	5.25	3.3:1	67	9.0	Voting power vested in Class A; otherwise both classes are equal. Further room for profitable exploitation of large reserves in Mexico and Venezuela. Conservative dividend policy of S. O. Indiana management does not entirely overshadow market prospects.
Pan-Am. Petroleum & Transport Cl. B				67	9.0	
Pittsburgh & W. Va.	5.13	...	2.7:1	106	5.7	Great gains in 1925 over 1924 continuing in 1926 at same rate. Road selling at $300,000 per mile, but has important terminal facilities for short line. In view of projected competition without similar terminal advantages, at $750,000 per mile, stock does not seem too high.
Sloss-Shef. Steel & Iron	11.72	3.00	5.2:1	126	4.8	Favorably situated, low cost, Southern pig iron producer. High earning capacity under reasonably favorable conditions. Excellent management. Company has good prospects but shares have reached market position which leaves little to discount.
Southern Pacific	9.97	6.00	3.6:1	105	5.7	Railroad is a Transcontinental, with extensive non-railroad properties. Comparatively static earnings prevailed for some time but improvement in Southwest is accelerating earnings gains. Should show price improvement.
South Porto Rico Sugar	9.14	2.63	10.0:1	112	5.4	Enjoying substantial earning power despite depressed sugar situation, due to increasing production combined with tariff advantage. Stock not too high on its merits, but subject to very wide intermediate movements.
Stewart Warner Speedometer	9.63	5.51	5.3:1	74	8.0	Well rounded motor accessory enterprise. Earnings fluctuate but are assisted by diversification of product. Asset position being improved as result of more conservative dividend policy than formerly. Commitments in stock had best be deferred until motor car outlook is less uncertain.

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
Stromberg Carburetor	8.34	5.87	5.7:1	63	9.5	Has shown considerable degree of stability for motor equipment concern. Is favored by fairly uniform demand for its main product, but high yield of the stock reflects growing tendency of automobile companies to supply their own parts. This factor creates decided speculative element.
Westinghouse Air Brake	9.55	5.82	5.2:1	131	4.6	Old established leader in its field. Through a subsidiary is in position to greatly benefit from obligatory installation of automatic signal equipment on railroads. Good semi-investment issue.

$7 Dividend Issues

	Average Earnings $ per Share 1922-25	Average Dividends $ per Share 1922-25	Ratio of Current Assets to Liabilities	Recent Price	Yield %	COMMENT
All Amer. Cables	12.70	6.25	12.0:1	142	4.9	Long record of earnings substantially in excess of requirements. Universally regarded as sound investment. Speculative element lies in possibility of capital readjustment at some time in the future.
Amer. Smelting & Refin	10.97	3.44	4.5:1	134	5.2	Operates on large scale in every branch of the mining industry. Large proportion of smelting and refining renders company more or less independent of changing metal markets, but acquisition of mines has been big factor in substantial earning power developed. Stock still attractive.
Atch. Topeka & S. Fe	15.07	6.29	1.9:1	138	5.0	Road earning two and one-half times dividend rate. May finance through stock issue. Stock holders may expect valuable rights when this occurs. Attractive as long pull investment.
Baldwin Locomotive	11.5	7.00	5.5:1	121	5.8	Depression in equipment industry last year forced company to meet common and good share of preferred dividends out of surplus. Status of locomotive makers has been improving in recent months. Stock moves in close harmony with trend of general market. Apparent improvement in industry discounted to considerable extent.
Coca-Cola	10.82	6.44	12.7:1	157	4.4	Formulas, trade marks, etc., represent over two-thirds of total valuation of fixed assets; capitalization based chiefly on earnings. Although favored at present by low costs of sugar and growing sales, shares appear high enough.
Cudahy Packing	8.30	2.58	3.7:1	89	7.9	Poor trade conditions in 1925 caused serious falling off in earnings. Long range outlook is for improvement in earnings and market price, but nearby prospects unsatisfactory.
Illinois Central	11.40	6.62	1.3:1	122	5.7	Consistent earner with long dividend history. Recent absorption of Mississippi subsidiaries will strengthen New Orleans end of road. Appears out of line on investment merits.
Mackay Cos	6.94	9.25	s	134	5.2	Holding company whose combined telegraph and cable properties include Postal and Commercial Cables. Information scanty. Stock yields about 5.5% at present quotations, but dividend does not appear to exceed earning power by wide margin.
N. O. Texas & Mex	15.71	10.88	2.0:1	130	5.4	In effect a subsidiary of Missouri Pacific which leaves very little stock, perhaps about 5,000 shares for public trading. A good investment at prevailing price but without present indications of large gains.
New York Central	10.11	4.15	1.6:1	132	5.3	Recent effective consolidation with subsidiary roads and increase of authorized capital point to dynamic changes in this great system. Room for price appreciation though present uncertainty as to stock issues may limit gains temporarily.
St. Louis & San Fran	8.78	1.88	1.3:1	99	7.1	Road in area rapidly gaining in prosperity, whose earning comeback has been spectacular. Stock offers attractive current income but unbalanced capital structure detracts from investment quality.
Southern Railway	10.90	2.19	2.1:1	117	6.0	Recent survey of road indicates great physical gains. Operates in rapidly growing industrial territory. Consistent market gains have already focussed attention on stock which is entitled to better prices on basis of present and future earning power.
Tobacco Products	6.41	3.68	1.9:1	105	6.7	Non-operating company deriving income from large holdings in United Cigar Stores and fixed royalty from American Tobacco. Stock seems high enough on its merits, possible distribution of United Cigar Stores holdings being only important potential influence towards higher levels.
U. S. Steel Corp	10.97	6.06	4.7:1	143	4.8	Present market level reflects fairly prosperous first half-year. Recent statements of officials interpreted as encouraging some hope for distribution of surplus. At current price, such possibility largely discounted.
West Penn Elec. Cl.A	a	a	a	95	7.4	Subsidiary of Amer. Water Wks., recently formed to consolidate operation of electric properties. Management capable. Serves populous territory and should show consistent earning power. Attractive issue.

EXPLANATION OF FOOTNOTES

a No early data. b New company—earnings and dividends from consolidated accounts of principal constituents. c Paid or earned in 1925 only. d 1924-25 average. e 1923-4-5 average. f Fiscal year ending March 31. g Fiscal year ending June 30. h Fiscal year ending Aug. 31. j Fiscal year ending Sept. 30. k Fiscal year ending Oct. 31. m Ten months, 1925, only. n Earnings on A & B combined. p 1926 capitalization. q N. C. R. Co. of Ohio averaged $8 on old $100 par common; initial dividend on A stock 4-15-26. r Properties operated under lease to I. R. T. s Holding Co. ratio of no significance. t Essentially a banking concern—ratio of no significance. u On total capital stock.

The Editors would be pleased to have your reaction to this unusual security feature. Write in and let us know just how useful you consider it to be.

Preferred Stocks

Their Present Position Quite Attractive

THE current level of bond prices should tend to encourage the friends of sound preferred stocks. The familiar twin factors, easy money rates and declining commodity prices, have produced the usual effect upon investment securities. Bonds, on the whole, have responded more readily to these influences than preferred stocks, however, so that the bond market is now losing its appeal for the investor who requires better than an average return from his commitments.

This is not to say that such securities should be avoided by large investors or that current prices will not be sustained. The important point is that there is now a rather considerable discrepancy between the yields obtainable from bonds and high grade preferreds and the sound but medium grade and more or less speculative preferred stocks. There are still many excellent issues in these classes which yield well above 6% and offer every reasonable assurance of security of principal.

Indeed, preferred stocks of these descriptions have some decided advantages over bonds of the corresponding general grade in that the latter, as already stated, afford an almost minimum return. The sense of greater security which the bondholder usually feels because of the intimate relation between his investment and the issuing company's assets may not at once be present. However, a little consideration will show that many preferred stocks enjoy greater relative protection in respect to asset coverage than bonds of the same general investment class. Where this condition obtains, the higher yield of the preferred stock is, obviously, a distinct drawing card. In an investment market where the income return to be derived through the purchase of high grade bonds is well under 5%, therefore, the desirability of "sweetening" an investment list with a reasonable proportion of sound preferred stocks yielding 6% or better should receive more serious consideration than heretofore.

In the lower grade but still sound classifications, yields as high as 7% may be had, while for the investor who chooses to go still further afield, returns in excess of 8% are available. An explanation of yields as high as the last-named under existing conditions would involve the usual platitudes concerning lack of seasoning and the like, except, of course, where there is doubt as to the integrity of dividend payments or financial condition of the issuing company.

Obviously, the security buyer who leans to the speculative or semi-speculative types must be alert to pitfalls of the kind described. In the Preferred Stock Guide, however, there are several stocks which, though not entirely conservative, are well protected nevertheless. In addition to generous yield, these issues hold out prospects for gradual enhancement in price.

Preferred Stock Guide

These stocks are selected as offering the best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5 Yr. Av'r'ge	Redeemable	§ 5 Yr. Price Range High	§ 5 Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Baltimore & Ohio	4 (N)	F4.75	No	67	47	72	5.6
Chicago & Northwestern	7 (N)	..	No	125	95	125	5.6
Chesapeake & Ohio Conv.	6.5 (C)	F14.8	115	F130	F96	142	4.5
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	H98	H86	103	5.8
Colorado & Southern 1st	4 (N)	7.5	100	66	47	67	6.0
PUBLIC UTILITIES							
Columbia Gas & Electric	7 (C)	T6.1	115	T114	T103	115½	6.1
North American	3 (C)	6.1	52.50	50	31	51	5.9
Philadelphia Company	3 (C)	6.5	No	49	30	50	6.0
Public Service New Jersey	8 (C)	3.4	No	F119	F95	120	6.7
INDUSTRIALS							
American Smelting & Ref	7 (C)	2.4	No	115	63	118	5.9
American Steel Foundries	7 (C)	6.6	110	113	78	114	6.1
Armour & Co. of Del	7 (C)	2.3	110	H100	H84	93⅝	7.5
Associated Dry Goods 1st	6 (C)	3.9	No	102	55	100	6.0
Baldwin Locomotive	7 (C)	2.6	125	117	95	110	6.4
Brown Shoe	7 (C)	F4.4	120	109	70	109	6.4
Cluett, Peabody	7 (C)	3.7	S125	110	79	112	6.3
Endicott Johnson	7 (C)	4.8	125	119	87	116	6.0
General Motors	7 (C)	F13.9	125	115	63	118	5.9
Studebaker Corp.	7 (C)	25.0	125	125	83	121	5.8

For Income and Profit

SOUND INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5 Yr. Av'r'ge	Redeemable	§ 5 Yr. Price Range High	§ 5 Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	63½	6.4
Kansas City Southern	4 (N)	2.7	No	59	45	67	6.0
Pere Marquette Prior	5 (C)	8.5	100	85	50	88	5.7
St. Louis-San Francisco	6 (N)	9.1	100	92	28	91	6.6
Bangor & Aroostook	7 (C)	2.5	110	F100	F86	100	7.0
PUBLIC UTILITIES							
American Water Works & El.	7 (C)	4.1	110	103	48	107	6.5
Federal Light & Traction	6 (C)	5.0	110	T89	T74	86	7.0
Kansas City Pr. & Lt.	7 (C)	T3.1	115	H109	H91	112	6.3
Hudson & Manhattan R. R. Conv.	5 (N)	4.5	No	F72	F25	78	6.4
West Penn Electric	7 (C)	..	115	O100	O96	100	7.0
INDUSTRIALS							
Allis-Chalmers	7 (C)	2.4	110	109	67	109	6.4
American Cyanamid	6 (C)	3.1	120	96	52	90	6.7
Bush Terminal Buildings	7 (C)	1.1	120	103	87	103	6.8
Commercial Credit 1st	6.5 (C)	..	110	N99	N92	92	7.1
Cuban American Sugar	7 (C)	F8.2	No	106	68	102	6.7
Genl. American Tank Car	7 (C)	3.1	110	F104	F86	102	6.9
Gimbel Brothers	7 (C)	4.3	115	F114	F95	105	6.7
Goodrich (B. F.) Co.	7 (C)	F2.7	125	102	62	95	7.4
Loose Wiles 1st	7 (C)	3.3	120	112	93	115	6.1
Reid Ice Cream	7 (C)	T6.9	110	O100	O92	98	7.1
U. S. Cast Iron Pipe	7 (N)	3.7	No	113	38	109	6.4
U. S. Industrial Alcohol	7 (C)	4.3	125	115	84	102	6.9

SEMI-SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5 Yr. Av'r'ge	Redeemable	§ 5 Yr. Price Range High	§ 5 Yr. Price Range Low	Recent Price	Yield %
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	J6 (C)	T3.0	100	83	34	85	7.1
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	N89	N80	91	7.7
Consolidated Cigar	7 (C)	2.5	110	96	53	103	6.8
Dodge Bros.	7 (C)	..	105	O91	O73	90	7.8
International Paper	7 (C)	1.6	115	N99	N86	93	7.5
Mid-Continent Petroleum	7 (C)	F1.6	120	F109	F80	99	7.1
Orpheum Circuit Conv.	8 (C)	2.6	110	F107	F84	104	7.7
Pure Oil Co.	8 (C)	4.2	No	F108	F82	110	7.3
Radio Corp. of America	3.5 (C)	3.4	55	54	45	48	7.2
Universal Pictures 1st	8 (C)	7.6	110	O103	O94	97	8.3

SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5 Yr. Av'r'ge	Redeemable	§ 5 Yr. Price Range High	§ 5 Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Chicago, Rock Island & Pac.	7 (†)	1.2	No	99	15	99½	7.1
Gulf, Mobile & Northern	6 (C)	F1.6	105	105	68	106	5.7
Wabash "A"	5 (N)	..	110	73	18	76	6.6
Western Pacific	*6 (C)	F0.9	105	86	51	85	7.1
INDUSTRIALS							
First National Pictures 1st	‡8 (C)	T4.7	115	N110	N100	104	‡
Goodyear Tire & Rubber	7 (C)	1.7	S110	H114	H35	107	6.5
Remington Typewriter 2nd	8 (C)	3.3	No	113	47	115	7.0
Willys Overland	7 (C)	..	110	123	23	96	7.3

* Cumulative to extent of 2 yrs. divs. † Cumulative up to 5%. ‡ Participates in excess earnings: paid $1.44 extra in March. J—After July 1, 1926. F—Four years. H—Three years. T—Two years. S—For sinking fund. N—Price range 1926. O—Price range 1925. § 1921-1925.

Standard Oil of New Jersey

Preferred Retirement is SONJ's Best Investment

Common Shareholders Due to Benefit from Proposed Changes in Capitalization

By ARTHUR M. LEINBACH

STOCKHOLDERS of the Standard Oil Co. of New Jersey have something good to look forward to very shortly by way of a dividend increase, an extra distribution of some kind, or possibly both. Investors, content with less than a 2.5% straight return on their investment in the hope of an ultimate reward for their patience through melon cutting, are now more than likely to be served with an "appetizer" while waiting for the more substantial feast later.

English corporations make it a practice to declare "interim" dividends to tide their shareholders over until the "final" dividend at the end of the year. This is much the same situation with which the Standard common stockholders are favored at present. They expect (if they are well informed) that before the year turns, their directorate will declare some disbursement or create an opportunity for them to invest in new securities of the company on a favorable basis or even an increase in the regular rate of cash dividends. Just what tangible form this "extra" will assume is still a matter of conjecture, even among the directors themselves who have not as yet met in formal discussion of ways and means. Nevertheless, the extreme likelihood of some such action has been an important factor in the rise of the common from a low of 33 in 1924 to as high as 47.

The retirement of the Standard Oil Co. of New Jersey's $200,000,000 issue of 7% preferred stock has been a favorite bit of discussion in the financial district of late. When the senior issue showed an unmistakable inclination to settle down to its retirement cost of $115 a share and the common shares simultaneously moved into higher ground, those who understand the meaning of the incessant chatter of ticker tape claimed without question or doubt that the market was telling the story. As usual, many rumors prevailed and positive statements found their way into print but with the conspicuous absence always of official confirmation.

It was at this time that the chairman of the board, George H. Jones, deemed it advisable to clear the atmosphere and stated officially that "some consideration" had been given to the retirement of the preferred; also intimating that plans were being formulated for the readjustment of the financial structure of the corporation. Further details, Mr. Jones emphasizes, are premature at this time, which probably means that the next official announcement will come at the close of a nearby directors' meeting, describing a proposal of the directors to the stockholders for the retirement of the preferred stock.

What Standard of New Jersey Earns on Its Money

Year	Income Producing Assets (Millions of Dollars)	Net Corporate Income* (Millions of Dollars)	Amount Earned on Every $100 Worth of Assets
1919	853	78	$9.14
1920	1,102	164	14.89
1921	1,116	34	3.04†
1922	1,124	46	4.09†
1923	1,148	56	4.87†
1924	1,245	81	6.50
1925	1,369	111	8.10
Average	1,135	81	7.18

Rate of return from proposed Preferred Stock retirement is $6.09 from every $100.

* Total net income after depreciation, taxes and depletion but before common or preferred dividends.
† Low rate of return in these years due to unsettled condition of oil industry.

Pending such announcement there are certain facts and some probabilities that are interesting. The preferred must be retired as a whole and at a price of $115 per share which means that the transaction will cost the company roughly 230 million dollars. The annual saving in preferred dividends will be 14 million dollars. In other words, by calling its preferred, Standard will make an investment of 230 million dollars in its own shares and will receive 6.09% annually in the dividends saved.

The problem now narrows itself down to this—does the parent Standard Oil Company have a better medium of investment at a 6.09% return than its own preferred shares. One thing is certain: in the investment market, its own preferred stock has no superior, especially when the "extra" intangible advantages of buying back its own stock are considered. From the standpoint of security, income return and wise corporate management, one would have to search far and wide for a better security investment for the company, than its own preferred. With lower security values prevailing in the past, it is conceivable that outside investments offered more attraction for the company's surplus funds than its own senior shares but the callable option always gives the company an opportunity to invest at the fixed rate of 6.09%, irrespective of market conditions and the privilege becomes a more

(Please turn to page 694)

Federal Aid for the Home Builder

THE law makers of the country now have under consideration several proposals whereby the Federal Government would be of material assistance to the prospective home builder by making available a more generous supply of credit to make home ownership possible. A common feature of these several plans is the creation of Federal Home Loan Banks which would function somewhat along the same lines as the Federal Reserve Banks in the Commercial banking field and the Federal Land Banks in the farm loan division.

One bill, introduced by Senator Stanfield of Oregon, would have privately financed National Home Loan Banks operate under a Federal Charter to make mortgage loans on residential property. The operations and requirements of these banks would be similar to the present activities of the building and loan associations, with the one important exception that the Home Land Banks would be empowered to issue bonds against the security of the mortgages held. The very fact, however, that these banks would so closely parallel the present activities of building and loan associations raises some doubt as to the utility and necessity of a new banking institution of this character.

Another bill, introduced by Senator Copeland of New York, seeks to apply the remedy by another method. The New York Senator's proposed legislation would establish Federal Home Loan Banks to provide credit to the prospective home builder through the agency of existing building and loan associations in much the same manner as the Federal Reserve Banks make credit available to the manufacturer and business man through the commercial banks. The plan is a tribute to the economic usefulness of the 13,000 B. & L. associations throughout the country whose assets total 5.5 billion dollars and which aided American home builders last year to the extent of almost a billion and a half dollars.

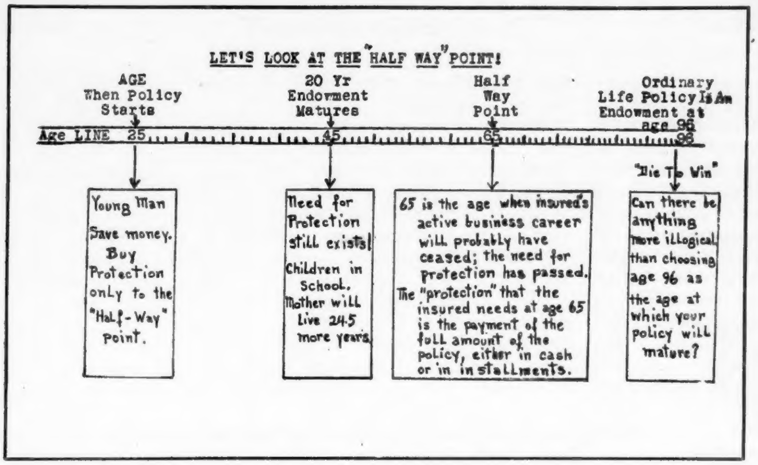
A highly commendable motive has brought these proposals before the consideration of Congress where their fate now rests. Home ownership is a national asset and goes hand in hand with good citizenship. The Federal Government can well afford to be generous to the home builder in credit extensions, at least to the extent that it is with the farmer and the business man. If any of the proposed bills are enacted into law, home financing will be provided on the easiest terms consistent with sound business principles.

"Endowment At Age 65"—An Insurance Bargain

This Discussion Continues the Search for Good Value in Insurance Policies

By HOWARD COGSWELL GOLLOP

INSURANCE problems can be diagnosed in much the same way that a doctor handles the case of a new patient. Instead of opening up the medicine case and handing the patient some nice new pills or a fancy prescription, the good family doctor will sit down by the bedside, investigate carefully into the history of the case, examine the heart, lungs, pulse, temperature, etc., and prescribe the remedy after he has familiarized himself with the nature of the illness. If you have insurance illness, call in the insurance doctor. He will do the same thing. But be sure that he diagnoses your ailment properly before prescribing another $5,000 policy. In fact you can check up on his diagnoses much better than you can that of the M.D.



If the average man would give as much personal thought to the *kind* of insurance he is investing in, as he does to the purchase of his spring hat, there would be fewer men ages sixty-five and seventy who are still paying insurance premiums. Often the ordinary life policy is advisable, but just as often it doesn't fit the need. A recent issue of this magazine contained an article, "Bargain Hunting In Insurance," showing average rates for the ordinary life and 20 year endowment policies; and how the insurance buyer could acquire a larger estate by securing his protection with ordinary life policy and investing the difference in preferred stock, bonds, etc. Correct! The average man with a family would be obliged to pick the ordinary life policy in preference to the 20 year endowment for two reasons: (a) couldn't buy enough protection at 20 year rates, (b) just as important is the fact that his need for protection will not have passed in 20 years. However, there is another policy that in cost comes close to the ordinary life contract and which has a full liquidating value at the time most needed. This is the Endowment At Age 65, the position of which is shown in the accompanying box.

The public does not understand the true relation between this "Endowment at 65" and the Life policy. When the word "endowment" is mentioned, many people think of 20 Year Endowment; and immediately conclude that endowment insurance costs too much for them. But would you believe that a $10,000 policy that will mature at age 65 costs only 8 cents more per day than an ordinary life policy costs, if taken at age 20; only 10 cents more per day on a policy taken at age 25; 14 cents more per day on a policy taken at age 30, etc.?

One hears some people say "Spend the same amount of money for ordinary life and you will have more protection for your family." But would the man who has decided on a $10,000 policy, buy $11,500 of ordinary life? He doesn't do it.

Others say "I'll cash in on my life policy at age 65"; but do you know that by so doing one would receive about $55 for every $100 of face value?

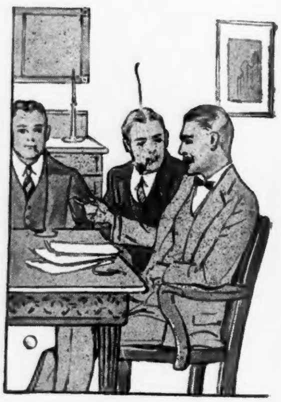
Still others ask "Why not apply for ordinary life and when the deposit dates roll around put the difference in the bank, bonds, etc.?" Even if the man lives who can be that consistent year in and year out; he would find upon investigation that *though* he was paying in the neighborhood of 10 cents less per day for his ordinary life policy, *—more than twice as much of his deposit was being spent for the protection element than was needed.* Why? Because his Ordinary Life Contract runs to age 96 and his premium right from the very first year is based on this long term protection, whereas he doesn't need the protection after age 65, or thereabouts. Better to have put this wasted protection money into a policy that (a) makes the same invaluable provision as does the life policy, in that the full sum insured shall be payable should death occur during the insured's active career, but (b) it immensely improves upon the life policy in that the insured himself receives the full amount of the policy if he lives to age 65, affording protection to his own old age and that of his wife.

This is the policy that fits the needs of the insured. The life contract does not fit those needs. The insured cannot receive the full amount of the policy until the absurd age of 96. The life policy cannot but cause dissatisfaction and disappointment when the insured actually experiences the inconvenience and realizes what a tremendous improvement the slightly larger premium would have effected. And in this connection it is interesting to note that according to the mortality experience of one of the prominent mutual companies, 66 out of every 100 men who insure at age 25 do live to age 65.

It would be hard to find a man over sixty-five paying premiums upon a life policy who did not wish he had taken a maturing policy. This experience of policyholders outweighs all theories as to which is the best form of policy.

Organizing Investment Clubs for Profit and for Pleasure

Don't overlook the importance of the social and educational side of the Investment Club, advises the author to those who are contemplating the organization of a new club. It pays to invest co-operatively and here are many pointers on how to get started properly with a new organization.



By STEPHEN VALIANT

ANYONE who has had the opportunity of examining the records of a number of Investment Clubs during the past few years is sure to have as much enthusiasm as I have for group effort in the investment field. Singularly enough, a group of investors placing their funds co-operatively do not seem to be as susceptible to the same errors in judgment that bring losses to the individual investor. It may be true in other instances that "too many cooks spoil the broth," but in the case of the Investment Club, collective judgment wins over individual judgment by actual count.

Perhaps the superiority of a group of amateur investors over any of the individuals that compose the group is due to the elimination of the sentimental motives that sometimes influence individuals in their security selections. A group of investors is less likely to purchase a railroad stock for the sole reason that the road extends good service on a certain division that they frequently have occasion to ride on. Investment discussions in a club meeting develop all of the pertinent facts relative to a contemplated investment, leaving less room for faith, hope and charity. Investors as a group are less likely to conclude mentally that a certain investment stock will appreciate in value merely because it has been added to the list of the club's holdings. The broader judgment of the group reduces to a minimum the "bad moves" such as taking a short profit too hastily or holding a profit on paper until it disappears in actuality.

Investment success, however, is only one of the several features that make Investment Clubs popular. The educational value of investment discussions is not to be overlooked, nor is the social side of the club meetings. To seek investment opportunities for the sake of making a profit or obtaining a liberal return is one thing. To join in with one's friends and associates in an organized and emulative search for promising investment bargains lends the additional interest that makes the Investment Club really worth while.

Strangely enough, the clubs that are the most successful are the ones that mix business with pleasure. The actual consideration of how and when the joint resources of members shall be invested occupies only a portion of the time allotted for the meetings of these particular clubs. It is quite a common practice for the balance of the evening to be devoted to reports from members on new issues, academic discussions on markets and perhaps an interesting paper on methods and practices that tend to improve the technique of the club's trustees. A very promising club on the Pacific Coast considers refreshments one of the important phases of the club's activities.

As far as the organization of a new club is concerned, I feel urged to stress one generalization by way of precautionary advice—*make it as informal as possible.* If you now spend a few evenings a week with friends at bridge, set one of the weekly sessions aside for the new game called Investment Clubs. This means that there will be at least one evening a week when everyone will make money. Of course, a few rules are necessary in any game where money is at stake. Make them as few as possible and typewrite them out on a long sheet of paper preceded by this paragraph:

"The undersigned, having formed the ——— Club for the purpose of making certain investments co-operatively, hereby agree to adhere to the following rules and regulations."

An Open Letter to Investment Club Managers

For the benefit of new readers who might be interested in learning the attitude of the Building Your Future Income Department toward Investment Clubs or Investment Associations, this opportunity is taken to state that BYFI was one of the original sponsors of the Investment Club idea and has been in contact with many successful clubs for a number of years. As a sort of a clearing house of new ideas on organization or club management, we have been able to be of material assistance to new clubs during the period of organization as well as older organizations which from time to time are confronted by new problems. We cordially invite those of our readers who are interested in Investment Clubs to communicate with us, giving either the new ideas that they might wish to bring before others through the medium of these columns, or calls for assistance on some new club problem. To our old friends and to new ones among the investment club officers throughout the country—remember that BYFI is always glad to hear from you.

Select the right kind of people for your membership and it will not be necessary to have the by-laws drawn up by a lawyer. The ties of friendship and mutual good will are much more satisfactory in the long run anyhow than court decisions. The type of investment club that I have in mind is not to be thought of as a business undertaking. Rather it is a social organization, comprising a number of good friends, who have a common interest in investment matters.

In the form suggested above, the rules and regulations are known as the "Articles of Agreement" and as such form the basis for a co-operative investment undertaking on a business like basis. It is well to provide for a definite duration of the agreement or at least a clause outlining conditions under which the club can be terminated by common consent with a proper distribution of the accumulated assets. Any investment undertaking, in the very nature of its purpose should have a suitable provision for liquidation, if and when desired.

It is, of course, essential to specify in the "Articles" the qualifications for membership (if any) and the amount that is to be contributed in the common fund upon entrance and subsequent weekly or monthly dues. The actual investment of the club's resources is most efficiently handled by a finance committee of three or five members, sometimes known as the Club's trustees. Every transaction, however, should be thoroughly discussed in the meetings and *approved by a majority of the members upon formal vote.* In this manner, the finance committee will be *guided* at all times by the consensus of opinion of the membership.

It is usually best at the start to impose few or no restrictions upon the finance committee. There is one important exception to this rule, however. At the start, the membership should very carefully consider and after agreement stipulate in the articles of the agreement what portion of the club's funds should be devoted to strictly investment issues and what portion might, in the discretion of the committee, be devoted to semi-speculative securities to be held for the sake of enhancement of principal. The first problem in the organization of an investment usually rests with this question—shall all or any part of the club's funds be available for *unusual opportunities in the securities markets which involve the element of speculation?* This is essentially an individual matter which each club should determine in advance, for it is only fair that every member should know what uses will be made of the funds that he places in the common fund.

Then the problem of distributing earnings arises. At the beginning, of course, there will be no earnings to distribute, but here again it is wise not only to determine a policy in advance but also to write this policy into the articles of agreement. The club has a wide range of choice, from paying out all the earnings each quarter to retaining all income for reinvestment. One of the most common solutions of this problem is a compromise between the two extremes and payment of a fixed amount, say 5% or less, retaining the surplus to be reinvested with the other assets of the club. In the matter of personal responsibility, it is only fair that those who are elected to buy and sell for the club be relieved from liability in the event of losses from unavoidable causes.

Even though the Articles of the club expressly free the active managers of the fund from personal responsibility in the event of losses, it is sometimes difficult to induce members to serve in this capacity. One naturally shrinks from what may be considered the "moral responsibility" of investing funds for others even with the *carte blanche* of absolutely discretionary powers. More with the idea of lessening the personal responsibility of the finance committee than anything else, some clubs have established certain "Standards of Investment" which a contemplated purchase must meet before it can qualify for investment.

Raising $50,000 in Twenty-four Years on $30 a Month

A Well Planned Investment Program That Overcomes the Limitations of a Small Monthly Saving

By G. S. JOSEPHS

I AM the head bookkeeper for a wholesale tobacco house, age thirty-two, married and have two children, and am what is commonly called an "Average Man." Six years ago, my salary was $250 per month, and at that time I decided that it was time for me to have some objective in life—to be independent by the time I was fifty. My idea of being independent was to have an income from my money equal to my earnings of six years ago. In the eight years that I had worked previously, I had succeeded in saving about a thousand dollars in a hit and miss way—that is without any regular or systematic plan. To obtain my objective, I knew that I would have to do some real figuring, and, after much thought, evolved the plan which I am still following and will outline in detail.

Can the Goal Be Reached?

My goal was $50,000 at age 50. Thirty dollars a month was all that I felt I would be able to save. I figured out that at the usual 6%, money doubles about every twelve years and at the rate of my saving I hardly would have half that amount at the half century mark—not enough for the purpose. Further figuring showed that I needed 12½% on my money, with safety, to accomplish my aim, and at first this didn't seem possible, but it started me thinking.

A Good Start Toward Investment Success

I started to really study investments and finance with the idea of ascertaining if there was any way an average man could take advantage of the regular cycles of the stock market without speculating, realizing that I couldn't afford to lose. I studied stock market averages and the statements of individual companies as a race track gambler studies "Past Performances." I talked with a friend in a broker's office who assisted me in getting quantities of charts, statistics and corporation records. I might mention that he gave me one mighty good piece of advice, and that was "Pick your broker carefully, and be sure he is dependable and has a good professional standing."

After much thought I came to this conclusion. Good common stocks bought when the market is low and "uninteresting" can be acquired at a price to yield 7% and 8%. In a period of years these stock, if properly selected, will advance at least 30% and again recede to a dull market. If I can sell after I have my profit and keep my money invested at 5% or 6% in real estate, bonds or other securities that do not fluctuate in price until the next buying period, my profit on the sales will make up the necessary 5% per year that I need to make the 12½%.

My next job was picking the securities, and I decided on the following plan. I made up a list of about ten stocks that I could study and follow, and because of their records I decided to pick stocks that were leaders in their industries. The industries I decided on were: Steel, Railroad, Locomotive, Car Builders, Electric, Chain Store, Mail Order House, Motor and Tobacco, and the stocks that I considered the "leaders" in these industries were U. S. Steel, Pennsylvania R. R., American Locomotive, American Car and Foundry, General Electric, Woolworth, Sears-Roebuck, General Motors and American Tobacco. This number of stock I could study and watch.

The First Investment

At that time (1919) the market looked right for buying so I bought $1,000 worth of four of these stocks at prices to yield me 8.2%, put up most of them as security at my bank for a $660 loan which I was to pay back at the rate of $30 a month, and with the proceeds bought three more stocks which yielded slightly less. My broker was willing to sell me outright any number of shares from one up, so I could well diversify my holdings. From 1921, after I had paid my loan until 1924, I regularly put $30 a month in the savings bank.

By 1923, my stocks had advanced approximately 25% so I decided to sell out in anticipation of buying back in the "Presidential Year." In 1924, I bought again from the same list, but I had over $3,400 to invest this time, my stocks having brought about $2,200, with dividends and interest over $600, while my savings were about $600. I borrowed $700 from my bank on collateral and purchased about $4,000 in

BYFI Recommends

	Approx. Price	Yield
***Bonds* with a high factor of safety, ready marketability and good collateral value:**		
N. Y. Telephone Co. ref. 6s Ser. "A" '41	108½	5.2%
Del. & Hudson 15-year 5½s '37	105	4.9
Bethlehem Steel 1st guar. 5s '42	100⅝	4.9
N. Y. Cent. & Hud. River deb. 4s '34	96	4.6
***Bonds* with a good factor of safety, fair income, good marketability and collateral value:**		
American Sugar Ref., 15-year ref. 6s '37	103⅜	5.6
Anaconda Copper 1st 6s '53	103¾	5.7
Cuba Railroad 1st 5s, '52	95⅞	5.3
U. S. Rubber 1st 5s '47	93¾	5.5
***Preferred stocks* with ample security, a liberal income return and some possibility of enhancement in value:**		
Brooklyn-Manhattan Transit Pfd. ($6)	85	7.1
U. S. Smelting & Refining preferred ($3½)	49	7.1
Schulte Retail Store preferred ($8)	117	6.9
Willys-Overland preferred ($7)	95	7.3

Note: Famous Players Pfd., originally recommended at 115 has been removed from above list and substituted by Brooklyn-Manhattan Tr. Pfd.

stocks, figuring that my dividends would enable me to repay the loan in less time that the previous loan. Again these stocks yielded better than 8%.

The market value of my stocks at the end of 1925 was over $5,500, and before 1926 I decided to sell my holdings, not that I was a "Bear" but I followed my original plan. One of the things that I observed in my early studies was that all that goes up, must come down, so I invested in one and two year first mortgage bonds. If a buying period comes before they mature, I can borrow on them from the bank.

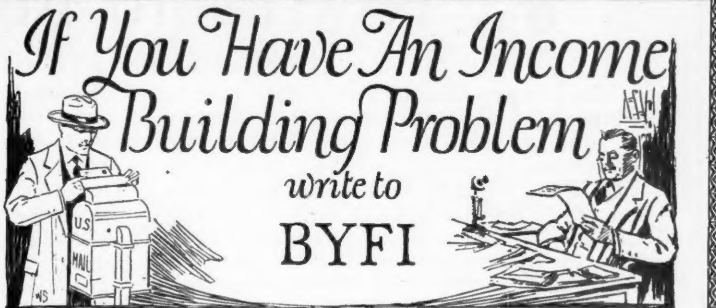
I feel I am well on the way to accomplishing my original purpose, and I expect to continue along the same lines, saving my $30 a month and all of my interest and dividends. Having passed my mark on the first quarter, which I believe is the hardest, and having enough will power to stick to my original saving plan and to avoid "Margining," I see no reason why I should not reach my goal in due time.

I have secured another unexpected advantage. When the president of our company first heard, in some way, that I was buying stocks, he asked me if I was speculating. I answered "No," and frankly outlined my plan and ambition, which met with his enthusiastic approval. Recently he asked me "How do you now stand?" and congratulated me on my reply.

I am naturally making more money now and it is gratifying to note that the "Boss" frequently asks my opinion on matters in our own business, particularly regarding finances and credits. The men at the bank are very cordial to me and my fellow workers seem to respect me more. This is a dividend "extra" that increases my own self-respect.

The investment program described in this article is especially interesting because it is "made to order," in a sense, to fit a particular set of investment requirements. Taking the investment market as it appeared to him at first glance, the author immediately realized that his limited savings would fall short of the mark. Some savers stop at this point and abandon their good intentions as far as future income building is concerned—others modify the usual savings plans to meet their needs. The latter is an attitude which we believe should be encouraged. As this article discloses, it is not necessary to speculate to obtain a faster rate of wealth accumulation, and the plan described here is essentially an investment plan. The most important requirement for such a plan is intelligent study of the stock market and the underlying conditions that bring about changing trends in values as registered in the various security markets.

Editor's Note.



The Savings Bank Limit

Dear BYFI:

Some time ago, a reader inquired about a good investment for $1,000 held by an aged couple in the savings bank, and you advised them to keep their money in the bank. My mother has $5,000 in the savings bank—this amount being the limit fixed by law. Would you advise her to keep it there, and how should she invest other sums that she manages to accumulate from time to time? I contribute toward her support, so that she is able to keep this money intact.—L. L., New York.

The savings bank law has recently been revised to permit the savings banks in New York State to accept a maximum of $7,500 and an amount of this size may be invested in each bank so the legal limit does not affect your problem. While we feel that your mother's money is well placed in the savings bank, if you are looking for suitable bond investments we would refer you to the Bond Buyers' Guide published in every issue of THE MAGAZINE OF WALL STREET. Your needs would be best served by limiting your selection to the issues classified under the caption "For Income Primarily."

Income from B. & L. Shares

Dear BYFI:

A friend of mine has made very satisfactory investments in building and loan shares, but, as I understand it, he does not receive any interest until the shares are fully paid for over a period of some twelve years. Is this a fixed plan for the full membership shares, or does the shareholder have the option of either receiving the interest in cash every six months or having the amount credited to his account.—S. T., Milwaukee.

To our knowledge, there are no exceptions to the general plan of all building and loan associations for full membership shares, that the interest earned every six months is credited as a payment against the purchase price, thus giving the investor the advantage of compound interest, instead of paying out earned interest in cash. Practically all of the associations have, however, special deposit certificates bearing a lower rate of interest than the regular shares, these certificates paying interest in cash at regular intervals and the investor is permitted to withdraw his deposit on demand at any time. The investor, therefore, has the option of selecting either one form of investment in the association or the other, depending on his own personal investment needs.

How Are Bond Yields Figured?

Dear BYFI:

Will you please suggest a simple method of figuring the yield to maturity on a bond investment?—R. W., Cincinnati.

A simple (but not perfect) method of calculating the approximate yield on a bond follows: First, determine the "current yield" by dividing the price of the bond into the coupon rate. Second, take the number of years that the bond has to run to maturity and divide this number into the difference between the face value of the bond and the price paid; if this price is higher than the face value, the quotient is subtracted from the "current yield" and if the price is lower than the face value, it is added to the "current yield," in either case the last figure arrived at will be the "actual yield to maturity." The procedure suggested above is a "short cut method" of sufficient accuracy for the purpose of the average investor.

Valuing Balance Sheet Items

Dear BYFI:

In the study of a balance sheet, how much value, if any, do you place on an item listed as "prepaid organization expenses"?—S. T., Duluth.

A new organization usually has certain abnormal and non-reoccurring expenses which increase the company's earning power over a period of years but do not show an immediate effect on earnings. It is quite a common practice to capitalize such expenses, and while the valuation depends largely on how wisely such expenditures have been made, the item has some value.

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. As a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands received and replied to in the first four months this year. The use of this personal inquiry service in conjunction with the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. ***Be brief.***
2. ***Confine requests for an opinion to three securities.***
3. ***Write name and address plainly.***

FLEISCHMANN

I purchased Fleischmann stock at 25 prior to the big advance and retained my holdings through the capital split-up. I have a large profit at present prices but I hesitate to accept this now that I learn powerful banking interests are taking over a large block of stock. This would seem to indicate that the future is brighter than it seems. What is your advice?—R. A. L., Portland, Ore.

One of the most powerful banking groups in the country recently announced that they have arranged to purchase at private sale from certain members of the Fleischmann family an interest in the stock of the company bearing this name. However, merely a small percentage of the outstanding stock is involved in this deal, the large majority still being held by the Fleischmann family who retain active control. Just what significance lies behind this transaction is difficult to determine, but in view of the fact that this stock is believed to have been acquired considerably below the market, it would seem that drastic steps were taken to prevent a market debacle. Fleischmann stock at current levels does not appear particularly attractive. Earnings in the first quarter were equal to 91 cents a share, practically the same. as in the preceding quarter. It does not appear that a solid foundation exists upon which to base the expectation of materially higher stock prices, at least in the near future.

RADIO CORP. OF AMERICA

I have heard so many optimistic reports regarding the prospects of Radio Corporation of America for the 1926 year that I am rather surprised that so little account of this is reflected in the market movements of the stock. Of course, I know that Radio common is quite some distance removed from dividend payments, but I should think that on the basis of its present showing a higher price level would be warranted.—W. J., Toledo, Ohio.

Radio Corporation of America common shares, in our opinion, have merit more for the extreme long pull than for the reasonably near future. On the basis of the company's showing to date the stock seems to be selling at about its actual worth. Granted that profits for 1926 will be of a higher order than in 1925, the earnings of the company have fluctuated widely from year to year, and there is nothing in its past record to indicate that its present mild prosperity will be continued indefinitely. Difficulty is experienced in maintaining radio apparatus manufacturing profits on a stabilized basis. Radio seems to hold forth its greatest promise as a medium for communication. Considering the nature of the enterprise, its dominant position and the fact that its field is practically unlimited it is reasonable to believe that along with further development of the same it will develop a substantial and lasting earning power. However, the progress made to date and that in immediate prospect appears well discounted in the present market value of the shares. We believe that better opportunities lie elsewhere. A switch to White Motors for income and profit, or to Union Bag for speculative purposes should work out to your advantage.

MOTHERLODE COALITION

As owner of 1,000 shares of Motherlode Coalition I am very much worried by the persistent weakness of this stock in the market. Another thing, when I received my last dividend check I was told that I would be advised later if this was to be treated as a dividend or a distribution of capital assets. This seems to bear out disquieting rumors I have heard that Motherlode is more or less a liquidating proposition. Please advise me if I should hold or sell.—J. K. Cleveland, Ohio.

Interests close to the management of Motherlode Coalition scout the idea that this property is in process of rapid liquidation. As a matter of fact *all* mines are more or less liquidating propositions. It stands to reason of course that every pound of metal extracted shortens the life of the mine to that extent. In the case of Motherlode, the present disquietude and resultant market weakness has been caused probably by the custom of paying dividends out of depletion deductions. Apparently, it is not generally understood that depletion charge is a purely arbitrary bookkeeping charge written off each year to make income tax on a mining property on a par with that of other industrial enterprises. By no means does the rate at which it is written off show the actual ultimate life of the property. Depletion deductions in 1925 covered Motherlode's dividend by a fair margin; this, in spite of the stagnant condition of the metal industry, and sub-normal copper prices. Motherlode's low production costs, around 7 cents a pound, assure profitable operations when conditions in the industry are embarrassing for most of

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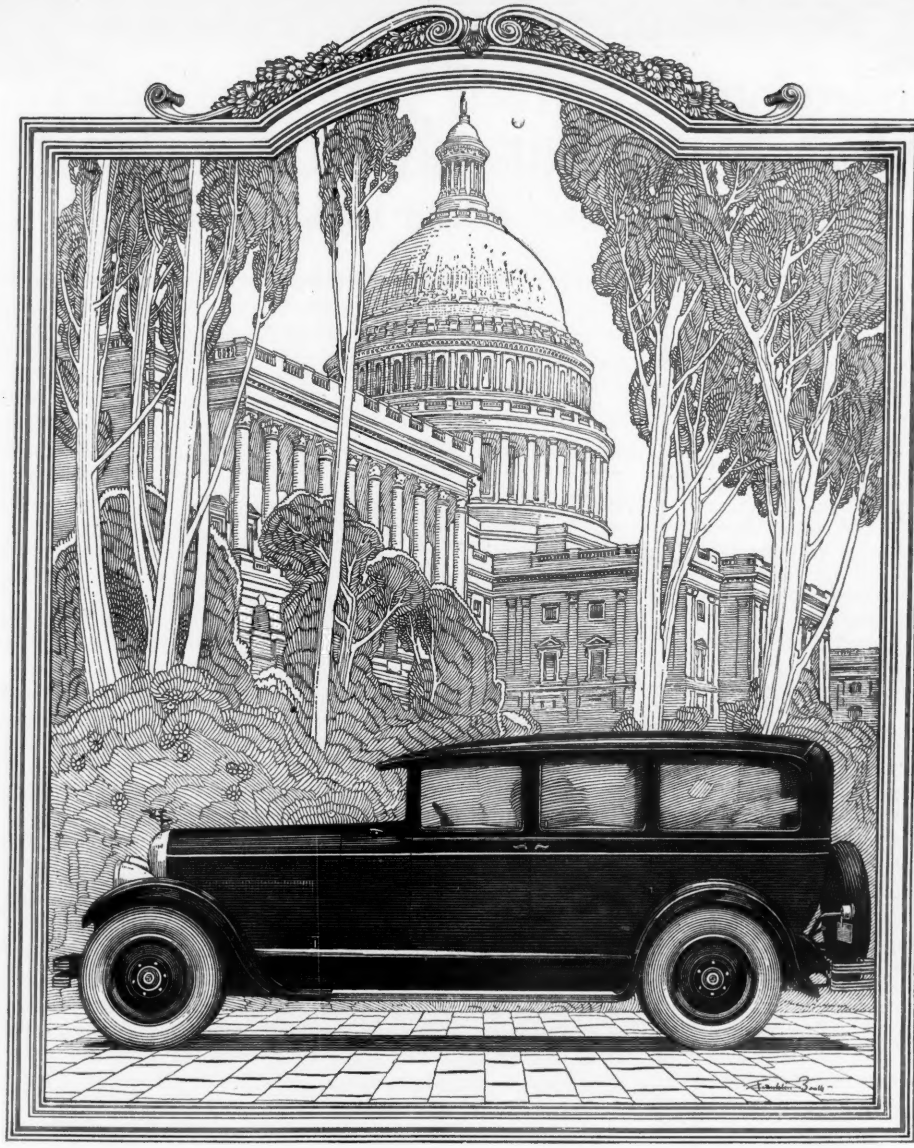

A Message to Executives from THE PRESIDENT

Equipment

No-draft ventilating windshield, nickel-plated bumper and bumperettes, Watson Stabilators, engine heat indicator and gasoline gauge on the dash, coincidental lock, oil filter and air purifier, automatic windshield cleaner, automatic spark control, double rear-view mirror, vanity case, smoking set, clock, arm rests, toggle grips, dome light, automatically turned on when right rear door is opened, and two-beam acorn headlights, controlled from steering wheel

THE President, a Studebaker Big Six Sedan, is designed for executives who believe in owning a car in keeping with their conception of value—built to do justice to men identified with successful business achievement—and christened the President to symbolize the leadership of its owners!

The long, low-swung lineaments of its custom body are a joy to behold! Finish of black lacquer with a thistle green belt and a Siskiyou yellow stripe—while the interior, upholstered in broadcloth with broadlace trim, is replete with every nicety and novelty of custom treatment and appointments.

Equipped with disc wheels and four-wheel brakes—with the silvered figure of Atalanta above its radiator, prophetic symbol of the Studebaker quiet L-head motor, which recently smashed all transcontinental records—from New York to San Francisco in 86 hours and 20 minutes!

By all means, see the President!

(*Illustrated*)

***The* PRESIDENT**

A Big Six Custom Sedan (for seven), mohair or broadcloth upholstery

$2245

Standard Six Custom Sedan	$1385
Big Six Custom Brougham	1985

Prices f. o. b. factory, including full equipment, 4-wheel brakes and disc wheels

S T U D E B A K E R

TRADE TENDENCIES

Mid-Summer Business Fair

Volume Somewhat Above Seasonal Average—Prices Hold

STEEL

Steadiness Predominates

THE early summer period, which is usually dull, has shown indications of underlying strength that speaks well for the condition of the steel industry. Considerable guesswork, however, is still in evidence as to whether the industry will be able to maintain the present rate of production without detrimental effects. Signs point to a slight curtailment; and it is probable that mill operations will likewise suffer. At the present time, the industry is operating between 75% and 80% of capacity, with the Steel Corporation running at around 85%. Railroad buying which has been in part, responsible for sustained activity in the industry subsided for a while but has recently revealed new life, which, though not of the proportions of the former demand, is of sizeable importance. The period for new automobile models, supplemented by a high summer manufacturing schedule, is resulting in unexpected seasonal support from the motor industry. Oil companies are buying pipe in increased

(*Please turn to page* 694)

COMMODITIES*

(See Footnote for Grades and Unit of Measure)

	1926 High	1926 Low	*Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)....	20.00	18.00	18.00
Copper (3)	0.14⅝	0.13¾	0.14¼
Petroleum (4) ..	3.65	3.40	3.40
Coal (5)	2.17	1.75	1.75
Cotton (6)	0.21	0.18	0.18½
Wheat (7)	2.10	1.59	1.59
Corn (8)	0.81½	0.69	0.80
Hogs (9)	0.14⅝	0.11⅝	0.14
Steers (10)	0.11	0.09¾	0.10¼
Coffee (11)	0.20⅛	0.17⅝	0.19¾
Rubber (12)	0.98	0.42	0.42
Wool (13)	0.54	0.43	0.45
Tobacco (14) ...	†0.19	†0.19	†0.19
Sugar (15)	0.04¼	0.04	0.04⅛
Sugar (16)	0.05⅝	0.05⅛	0.05⅝
Paper (17)	0.03¾	0.03½	0.03½

*July 17.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb. †Change from 1924 to 1925 crop.

THE TREND IN MAJOR INDUSTRIES

STEEL—Operations continue above the usual seasonal rate, but it is unlikely that consumption stimulated by the railroads, automobile and oil industries will continue in present volume. Attempts to increase prices have not met with marked success and the levels continue low.

METALS—Strength characterizes the metal market as copper, lead and zinc all display a rising tendency here and abroad. Export and domestic demand are maintaining considerable volume.

PETROLEUM—Production and refining continue at a high rate. Large stocks tend to keep prices soft with a trend toward lower levels.

COAL—Suspension of British mine operations is making itself felt here in export activity. It is estimated that 2 million tons have been shipped in the past two months. By buying through a central committee negotiating with no more than three export firms, British buyers are avoiding bidding the market up against each other. Seaboard bunkering is good as a result of an unusual amount of shipping.

AUTOMOBILES—Manufacturing operations are showing a slight spurt as the production of new models gets underway. Warmer weather has brought the used car and accessory markets to their high points of the year.

LEATHER—Although mid-summer quiet prevails in the shoe industry, demand is reported fair and increased activity is shortly anticipated as orders for Fall delivery appear.

COTTON—The cool, wet weather in the cotton belt continues to favor the weevil and hopper pests more than the growth of cotton, and has resulted in rising prices. It is expected that this movement will be augmented by additional consumer demand as stocks of cloth and yarn decrease.

SHIPBUILDING—World shipbuilding, following the trend of the past two years, recorded a decline of 400,000 tons for the second quarter of the year as compared to 1925, tankers being the only class of ships showing a gain. The U. S. was one of the few countries which showed a gain during this period.

RETAIL TRADE—Retail trade as a whole is slightly above the seasonal average. Mail order and chain stores report sales from practically all sections to be in excess of last year. Department stores show an early summer gain of from three to five per cent.

SUMMARY—Industry and trade continue above the usual Summer level. Whereas some lines show a tendency toward overconfidence in production the general situation is one of fairly healthy activity. The forepart of August may witness a somewhat lower rate than July, but given a continuance of present crop prospects, early Fall developments should not be disappointing.

PREFERRED RETIREMENT IS SONJ's BEST INVESTMENT

(*Continued from page 683*)

valuable one as investment values rise and interest rates fall.

In addition to security investments, there are investments in the oil business to consider which have competed against preferred retirement for the surplus funds in the treasury. Heretofore, this competition has been too severe to permit calling the issue. For example, a comparative study of the 1924 and 1925 balance sheets discloses an increase of 30 million dollars last year in investments in the stocks of affiliated petroleum companies as well as over 40 millions added to investment in physical assets, plant and equipment operated directly by the company.

Inventories and receivables (which are in a sense a temporary investment of surplus funds) were permitted to increase 92 million dollars, during the same period. As the business done last year warranted this increase, a priority over such uses for money as buying back preferred stock was automatically established. In all, a total of about 160 millions is indicated for permanent and "temporary" investments made last year, but 1925 is not to be regarded as an unusual period in this respect.

The Standard Oil Company has been in the banking business as well as the oil business for the past two decades, but since 1919 (when the preferred stock was created) it has had more attractive investment opportunities than investment in its own stock. At one time a purchaser of every barrel of oil that ran through its refineries, Standard today owns about half of its own crude oil supply, with an additional 25,000 barrels daily coming in from its Columbian fields and a new crude supply in the acquisition of General Petroleum. As late as 1911, the company did not operate a single tanker under the American flag, whereas last year about 100 million barrels were transported by the company's own fleet of tankers. Investments of similar magnitude have been made in exploration, refining and merchandising equipment, but now a point is being reached where a "breathing spell" appears to be in line with good financial management.

The refining capacity of the industry is excessive for present and near future consumption requirements and a company might easily over extend itself in this division. Transportation likewise has attained ample proportions. Good investments in the crude oil division have become not merely difficult but almost impossible to find. Conditions are not promising for wild-catting in Mexico. In the states, the cream has been carefully skimmed off the interesting producing districts and South American wildcatting has its own peculiar hazards. Settled production, owned by private interests or independent companies comes at a high price these days, in fact, a price that is usually prohibitive from the investment standpoint.

Accordingly, the greatest of all Standard Oil companies has elected to fall back on its own senior shares where it can get a little over 6% return and a factor of safety that might be discussed in the same sentence with U. S. Steel 7% preferred which recently sold at 130—a yield basis of 5.38%. Where the money is to come from to buy its shares is no problem at all. No doubt a large portion will be purchased with cash in the treasury which in turn will come from the sale of securities, current earnings and possibly a reduction in some of the items of current assets. The balance will involve new financing. If the word of well-informed "insiders" is to be taken at its face value, two plans to finance the retirement by bonds and by new preferred stock respectively have been already discussed and abandoned as not serving the best interests of common stockholders. This leaves common stock financing as the most likely method and in all probability old shareholders will be given an opportunity to participate in the offering on an advantageous basis. This is as far as one can go with either facts or probabilities—beyond this point one must lean too far on mere guess work. *It goes without saying that retirement of the preferred stock is bound to affect common shareholders favorably. Of course, S O N J common should be held for permanent investment.*

TRADE TENDENCIES

(*Continued from page 692*)

quantities; indeed, specifications are so large that makers have been somewhat tardy in their deliveries. Other lines, including fabricated steel and plates, continue steady with the exception of sheets.

Iron buying continues large. This is partly due to covering of requirements and partly the outcome of speculation. Many buyers believe that present low prices are close to the bottom, and that when the rate of buying becomes stabilized, prices will benefit materially and work higher. Therefore, they are purchasing iron at this level with a view towards selling out on advances to higher prices. But, on the whole, iron prices have not been in accord with demand, basic valley still hovering around its low of $17.50 to $18.

BUILDING

Industry Slowly Receding

Reports on building projects from various sections show considerable divergence. A fair degree, however, of the activity which reached its peak in 1925 is undoubtedly continuing, with June figures close to those of May and failing to indicate the usual seasonal drop. New York City shows a 10% gain over last year, while several of the important cities of the South (reflecting in some measure the still notable Florida activity) also report a high rate of operations. On the other hand, in New England and in the Northwest the decrease in building amounts to approximately 20% less than last year. Gross figures for the country during the first six months reveal a drop of about 2% over last year. In consideration of an expected, normal, secular growth this decrease becomes more significant than first appears. It is somewhat indicative of the fact the country is catching up with its building program.

Whereas the amount of contemplated projects is substantial, a slowing tendency is making itself felt in the industry, particularly insofar as city areas are concerned. It is not believed, however, that any decided drop in volume is imminent; since, as the number of big projects decrease, a new element, particularly of home builders, will be attracted by a lower trend in building costs as the pressure becomes less.

RUBBER

Prices Near Low Limit

Although the undertone of the rubber market is firm, there is little activity and prices continue to fluctuate over an extremely narrow range. It has lately been pointed out that unless a well sustained advance occurs before August first a British restriction of 20% in volume of export will be operative under the Stevenson Plan on that date. This is to say that an average price of over forty cents must obtain until the end of July. Local interests are torn between the desire to depress the market insofar as possible and that of staving off the Stevenson Plan restrictions which they feel would jack up prices. There are two factors, however, which may alter this situation. The first is the encouraging sales volume of tires and tubes which has resulted from the price reductions made early in July and also from a stimulated summer demand as the weather becomes more seasonable. Although tire manufacturers are not operating at capacity, inventories are being reduced and with a prospective healthy fall demand it is felt that these interests must perforce soon enter the market. The second factor offsetting a possible curtailment of crude supply lies in the fact that many rubber plantations have not exported the quota allowed them under the restrictive system and are now in a position to market a surplus of some 20,000 tons regardless of future restrictions. The net result of the balance between the Stevenson Plan on one side and this surplus on the other is a stabilizing influence on the market.

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale 7/21/26	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅝	90¼	111¼	70	140½	91¾	140⅜	122	135⅝	7
Do. Pfd.	106¾	96	102⅛	75	98	72	100	94⅛	99¼	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	262½	181½	218	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	94½	27⅝	98½	83½	95⅜	5
Do. Pfd.	96	77¼	80	48¼	67¾	38½	73¼	67½	†71¾	4
Bklyn-Man. Transit	..	..	..	..	64	9¼	69¼	54⅛	63⅞	4
Do. Pfd.	..	..	..	..	83¾	31⅜	86¼	78	84¾	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	166⅞	146½	161⅞	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130½	46	144⅞	112	141	‡8
Do. Pfd.	..	..	..	..	130	96	144	119	*140	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	14½	9	10½	..
Do. Pfd.	181	130½	143	62½	76	7	22¼	14⅝	17⅛	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	81⅞	65¼	70	4
Chicago, R. I. & Pacific	..	..	45¾	16	58⅞	19⅛	60¾	40½	54⅞	..
Do. 7% Pfd.	..	..	94¾	44	105	64	101¼	96	99¼	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	90	83¼	88½	6
Delaware & Hudson	200	147½	159½	87	160¾	83¼	174¼	150¼	162½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	153½	129	144	‡6
Erie	61¼	33½	59½	18¾	39½	7	40	22½	35	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	49¼	11⅛	47⅞	33¾	44⅛	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	46¼	7⅛	45½	30	*42	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	78⅝	68½	72⅝	5
Hudson & Manhattan	..	..	..	..	38⅜	20⅝	40	35	38⅝	2½
Illinois Central	162⅛	102¾	115	85¾	125½	80⅞	124⅞	113½	122	7
Interboro Rap. Transit	..	..	..	..	39¼	9½	52¼	24½	43½	..
Kansas City Southern	50¼	21⅜	35⅛	13½	51	13	49⅜	34¼	43½	..
Do. Pfd.	75½	56	65½	40	63¼	40	66½	60⅝	66⅜	4
Lehigh Valley	121¼	62½	87⅛	50⅜	88½	39½	93½	75½	89½	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	143	118	132	6
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	45½	*¾	47⅛	32	36¾	..
Do. Pfd.	*78¼	*46	*60	*6½	92½	*2	95	82	90	6
Missouri Pacific	*77½	*21⅛	38½	19⅞	41¾	8¼	40¼	27	38⅛	..
Do. Pfd.	..	..	64⅞	37½	91½	22¼	93¼	71½	90	..
N. Y. Central	147¾	90⅝	114¼	62½	137½	64⅛	135⅝	117	130	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	183	23¾	185¾	130	180	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	47	9⅝	48⅜	30⅝	45⅝	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	28⅞	19¾	23½	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	157⅞	139¼	152	‡7
Northern Pacific	159½	101¾	118⅞	75	99⅞	47⅞	76½	65¾	71¾	5
Pennsylvania	75⅝	53	61½	40¼	53⅜	32¼	55⅛	48⅝	54	3
Pere Marquette	*36½	*15	38⅛	9½	85½	12⅛	100½	67	97	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	123	21⅛	119⅜	85	107½	6
Reading	89⅝	59	115½	60⅛	108	51⅞	100	79	94½	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42	40	40¾	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	44⅞	40	42	2
St. Louis-San Fran.	*74	*13	50½	21	102¼	10¾	101¼	85	95½	7
St. Louis Southwestern	40⅜	18½	32⅛	11	69¼	10⅞	74	57½	*67	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	51	27½	37¼	..
Do. Pfd.	56⅛	23⅛	58	15⅛	51½	3	48⅜	31½	*35	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	109¾	96⅛	105	6
Southern Railway	34	18	36¾	12⅛	120½	24¾	120	103⅝	117⅛	5
Do. Pfd.	86⅞	43	85¼	42	95½	42	93	87½	92½	5
Texas & Pacific	40½	10¼	29½	6½	70⅛	14	61⅝	42⅛	*54½	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	156½	141⅛	152½	10
Do. Pfd.	118½	79¾	86	69	80	61¼	80	74¾	*79⅛	4
Wabash	*27⅞	*2	17½	7	47¼	6	52	33⅞	43⅞	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	73⅞	17	78¾	68	75¼	5
Do. Pfd. B	..	..	32⅞	18	60½	12¼	72	57	*59	..
Western Maryland	*56	*40	23	9¼	18⅜	8	16⅝	11	13⅛	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*39	11	24	16⅜	21⅜	..
Western Pacific	..	..	25⅛	11	40	12	39¼	33¼	*34	..
Do. Pfd.	..	..	64	35	86½	51½	85¼	77½	85	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	32	18	25½	..
Do. Pfd.	..	..	50⅝	16⅝	53⅛	9¼	50½	37	44¾	..

INDUSTRIALS

	1909-1913 High	1909-1913 Low	1914-1918 High	1914-1918 Low	1919-1925 High	1919-1925 Low	1926 High	1926 Low	Last Sale 7/21/26	Div'd $ Per Share
Adams Express	270	90	154½	42	117¼	22	116¼	99⅞	*113¼	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	16	7½	8⅝	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	142	106	126⅜	4
Do. Pfd.	..	..	..	..	121¼	83	122⅛	118¾	*121¾	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	94½	78¼	87¼	6
Do. Pfd.	43	40	92	32½	109	67½	110½	105	110	7
Am. Agric. Chem.	63⅝	33⅛	106	47¾	113¾	7⅛	34⅜	15	*17¾	1
Do. Pfd.	105	90	103½	89⅛	103	18¾	96½	51	*62	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	38¾	21	*23	..
Am. Bosch Magneto	..	..	..	..	143⅞	28	34⅜	16	19⅞	..
Am. Can	47⅜	6⅞	68½	19¼	*297⅝	*21	59⅝	38⅞	56⅜	2
Do. Pfd.	129¼	98	114½	80	121⅞	72	126¼	121	*125½	7
Am. Car & Foundry	76½	36½	98	40	*201	97⅛	114⅞	91½	101	6
Do. Pfd.	124¾	107½	119½	100	128	105¾	129¼	123½	*124	7
Am. Express	300	94¾	140½	77½	17	76	140	105⅞	126½	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	17⅛	7	8½	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67¼	33½	39	..
Am. Ice	..	..	49	8⅞	139	37	136	109	124¾	8
Am. International	..	..	62¾	12	132¼	17	46⅜	31¾	33⅛	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	87	75	*77¼	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	119⅞	90¼	104	8
Do. Pfd.	122	75	109	93	124	96½	120¼	116¼	*117	7
Am. Metal	..	..	..	..	57⅝	38¾	57⅜	47	54	4
Am. Radiator	*500	*200	*445	*235	*345	64	120¾	101¼	110	4
Am. Safety Razor	..	..	..	..	76¾	*3½	64	42	63⅛	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	11⅞	5½	*8½	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	144½	29¼	144¾	109⅝	132⅝	7
Do. Pfd.	116¾	98¼	118⅞	97	115¼	63¼	119	112⅞	119	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	46⅞	40	42¾	3
Do. Pfd.	..	..	..	..	113⅛	78	115	111	111⅜	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	82¾	65¼	66½	5
Do. Pfd.	133½	110	123½	106	119	67½	105	100	102	7
Am. Sumatra Tobacco	..	..	145¾	15	120½	6	28⅝	14⅛	25¾	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	145	92⅛	150¾	139⅝	141¾	9

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 7/21/26	Div'd $ Per Share
Am. Tobacco	*530	*200	*256	*123	*314½	82½	121⅝	111⅜	121	8
Do. Com. B	..	..	..	..	*210	81¼	120⅞	110⅛	120	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	74	43¾	62	1.20
Am. Woolen	40⅝	15	60⅞	12	169½	34¾	42⅞	19	23⅛	..
Do. Pfd.	107¾	74	102	72½	111⅞	69½	89¾	66	71⅛	7
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	51	41½	50⅜	3
Associated Dry Goods	..	..	28	10	*140½	46⅛	54⅞	37¼	40½	2½
Do. 1st Pfd.	..	..	75	50½	102	49⅞	102½	96	*96	6
Do. 2nd Pfd.	..	..	49⅛	35	108	38	108	102	*102	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	59½	44¾	*49¼	2.40
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	68⅜	33⅛	44⅞	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	56¼	35¼	45¾	..
Atlantic Refining	..	..	..	..	*1575	78½	128⅜	97	109½	..
Austin Nichols	..	..	..	..	40⅜	8	28	11	*12½	..
Do. Pfd.	..	..	..	..	95	50⅝	93	73¼	73¼	7
Baldwin Locomotive	60¾	36½	154½	26⅝	156¼	62¼	136½	97½	121	7
Do. Pfd.	107½	100¼	114	90	118	92	114	105	111¼	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	50¼	37¼	45	..
Do. 7% Pfd.	80	47	186	68	108	78	105	99	102¾	7
Brooklyn Edison Electric	134	123	131	87	156½	82	146½	133	142¾	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	89	68	87	4
Burns Brothers	45	41	161½	50	147	76	141½	121	138	10
Do. B	..	..	..	..	53	17	44	29⅞	*35½	2
Butte & Superior	..	..	105¼	12¼	37⅞	6½	16¼	7⅛	11⅛	2
California Packing	..	..	50	30	136½	48¼	179½	121¼	137	8
California Petroleum	72½	16	42⅝	8	71⅞	15⅜	38⅛	30⅝	32½	2
Central Leather	51¾	16½	123	25⅞	116½	9⅝	20½	7⅛	8⅞	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	43¼	54⅛	..
Cerro de Pasco Copper	..	..	55	25	67½	23	69¼	57½	67¼	4
Chandler Motor	..	..	109⅞	56	141¼	26⅞	26	11¾	*12	..
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅜	30	34	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	23½	16	23½	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	28½	37⅛	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	93	104½	8
Coca Cola	..	..	..	..	177¾	18	164	128	159½	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	47¾	27⅜	46⅜	..
Columbia Gas & Elec	..	..	54⅛	14¼	*114⅞	30¼	90	63½	83⅝	5
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	26¼	12½	22	..
Consolidated Cigar	..	..	..	..	80	11⅜	69¼	45¼	67⅜	..
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	104½	87	102⅛	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	70	80⅛	‡5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	48⅜	35⅝	44⅝	‡2
Do. Pfd.	98½	61	113½	58⅛	127	96	129⅛	122½	*127	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	48	81½	64	73¾	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	11½	8⅝	*8⅞	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	49⅝	35½	38	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	30⅜	23⅝	24½	2
Cuyamel Fruit	..	..	..	..	74½	44	51	42⅛	44½	4
Davison Chemical	..	..	..	..	81¼	20⅜	46¾	27⅛	37	..
Dupont de Nemours	..	..	..	..	271¼	105	264¼	193⅛	257	‡10
Eastman Kodak	*No Sales		*605	*605	*690	70	114⅜	106⅝	113½	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	86⅜	71⅛	83¼	‡5
Endicott-Johnson	..	..	..	..	150	44	72⅝	65½	65¾	5
Do. Pfd.	..	..	..	..	119	84	118	114	*116¼	7
Famous Players-Lasky	..	..	..	..	123	40	127½	103⅛	117	10
Do. Pfd.	..	..	..	..	120	66	124	115	*119½	8
Fisk Rubber	..	..	..	..	55	5½	26¼	14¼	18	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	84¼	76⅞	*79¾	7
Fleischmann Co.	..	..	..	..	*171½	*75	56½	32¼	48⅝	‡2
Foundation Co.	..	..	..	..	183¾	58½	179¾	85	99⅝	8
Freeport-Texas	..	..	70½	25¾	64⅜	7½	34½	19⅝	31½	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	74⅜	50	67¼	..
General Cigar	..	..	..	..	*115¼	47	59½	46	50	4
General Electric	188½	129¾	187¼	118	337¼	109½	386½	285	352	‡8
General Motors	*51¾	*25	*850	*74½	149¾	*8⅛	170⅜	114¼	166¼	‡7
Do. 7% Pfd.	..	..	..	..	115	95⅛	120	113½	117¼	7
General Petroleum	..	..	..	..	59⅛	38⅜	70⅛	49½	65¾	3
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	70¾	45½	48½	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	100	95	97⅛	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	109¾	98½	106	7
Do. prior Pfd.	..	..	..	..	109	88	109⅝	105⅜	*107⅜	8
Granby Consolidated	78¼	26	120	58	80	12	24	16⅛	22¾	..
Great Northern Ore Ctfs.	88½	25⅛	50⅜	22½	52¾	24⅞	27¼	19	20¼	1¾
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	62	74¼	5
Hayes Wheel	..	..	..	..	52⅞	30	46	30¼	32½	‡3
Houston Oil	25½	8¼	86	10	116½	40½	72	50¼	58½	..
Hudson Motor Car	..	..	..	..	139½	19½	123¼	49⅝	64½	‡3½
Hupp Motor Car	..	..	11¾	2⅛	31	4⅝	28⅜	17	23⅝	1
Inland Steel	..	..	..	..	50	31⅛	43½	34½	41	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	26⅞	20¾	25	2
Inter. Business Mach.	..	..	52⅝	24	176¼	28¾	50½	38⅛	47⅛	3
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64½	33½	52⅞	2
Inter. Harvester	..	..	121	104	149⅝	66¾	134½	112¼	126¼	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	12⅜	7	*6⅞	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	46⅜	27	32	..
Inter. Nickel	*227¼	*135	57½	24½	48½	24¼	46½	32⅜	38	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63⅜	44⅛	51⅞	2
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	21½	12¼	13	..
Do. 8% Pfd.	..	..	101	72	110	33	74¾	61	*51	..
Kennecott Copper	..	..	64¼	25	59¼	14⅝	58⅞	49¾	55¾	4
Kinney (G. R.) Co.	..	..	..	..	103	35½	82⅛	61	61	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	53½	*60⅞	4
Loew's, Inc.	..	..	..	..	44¾	10	41	34¼	38⅝	2
Loft, Inc.	..	..	..	..	28	5½	11¼	7	7¾	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	30¼	42¼	32¾	34⅛	3
Mack Trucks	..	..	..	..	242	25⅛	159	103½	123	6
Magma Copper	..	..	..	..	46	26⅛	44⅞	34	40½	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	15⅝	*17½	..
Maracaibo Oil Explor.	..	..	..	..	37½	16	28⅞	20¾	23	..
Marland Oil	..	..	..	..	60½	12⅛	63⅜	49¼	56⅛	4

New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 7/21/26	Div'd $ Per Share
May Department Stores	*88	*65	*97⅛	*35	*174¾	*60	137½	106⅞	118¼	5
Mexican Seaboard Oil	..	..	..	..	34½	5¾	13½	6	13	..
Montgomery Ward	..	..	..	..	82½	12	82	56	71	..
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	98½	74	94¼	‡4
National Dairy Prod.	..	..	..	..	81⅞	30⅛	80	53	68	3
National Enam. & Stamp.	30¼	9	54⅛	9	89½	18½	40⅛	22⅛	*21¼	..
National Lead	91	42½	74⅝	44	174¾	63½	174¾	138	160	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	44¾	36½	39½	2
N. Y. Dock	40¼	8	27	9¼	70⅛	15¼	45⅞	32½	34⅛	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	67	42	52	§10%
Do. Pfd.	..	..	..	..	50½	31⅞	51⅛	49	†50	3
Pacific Oil	..	..	..	..	78⅛	27½	83⅛	1	1⅜	..
Packard Motor Car	..	..	..	..	48½	9⅞	45¼	31¾	41⅝	‡2
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	76⅛	56⅛	66¼	6
Do. Class B.	..	..	..	..	111¾	34⅛	78⅜	56⅞	66⅝	6
Philadelphia Co.	59¼	37	48⅞	21½	68¾	26½	76⅝	59⅛	*70½	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	48⅜	36¼	38	..
Phillips Petroleum	..	..	..	..	69⅝	16	49½	40	45⅞	3
Pierce-Arrow	..	..	65	25	99	6⅛	43⅛	19	28⅞	..
Do. Pfd.	..	..	109	88	111	13½	111¼	76½	*110	8
Pittsburgh Coal	*29¾	*10	58¾	37⅛	74⅝	37¼	42½	29	*42	..
Postum Cereal	..	..	..	..	*134	*47	124⅞	75½	101	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	41½	34⅛	37	..
Do. Pfd.	112	88½	109½	69	106	67	87½	83¼	*83	7
Pub. Serv. N. J.	..	..	..	..	87⅞	29	92½	72	89	5
Pullman Company	200	149	177	106½	173½	87¼	182½	145¼	176½	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47	33	34	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	31	25⅝	26¾	1½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	48⅜	32	41⅛	..
Ray Consol. Copper	27½	7⅛	37	15	27⅛	9⅞	14⅛	10½	14⅜	1
Replogle Steel	..	..	..	..	93⅛	7¼	15⅞	8⅞	10½	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅝	44	57¾	4
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	96	91¼	96⅜	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅜	50	54¼	a1.34
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	102½	73	80	4
Schulte Retail Stores	..	..	..	..	134⅞	88	138½	42½	46½	§8
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	54¾	44¼	53⅜	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	48⅝	40¾	*41	2.16
Shell Union Oil	..	..	..	..	28⅜	12⅛	28⅞	24	27¾	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	33	36	2
Simms Petroleum	..	..	..	..	28⅛	6½	28⅝	16⅛	16⅝	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	24⅞	19⅜	20½	..
Skelly Oil	..	..	..	..	35	8⅝	37⅛	26⅝	32	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	141¾	103	128	6
Standard Oil of Calif.	..	..	..	..	*135	47½	67⅞	52⅝	58⅜	2
Standard Oil N. J.	*448	*322	*800	*355	*212	30⅞	46⅜	40¼	43⅛	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	119⅛	116	116⅜	7
Stewart-Warner Speed	..	..	*100½	*43	*181	21	92⅞	68⅜	73½	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	59⅞	*61⅜	6
Studebaker Company	49½	15¾	195	20	*151	30½	61⅜	47	54⅝	5
Do. Pfd.	98⅛	64½	119½	70	125	76	122½	114½	*118	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	16	10⅞	12¼	1
Texas Co.	144	74½	243	112	57¾	29	56	48	52¼	3
Texas Gulf Sulphur	..	..	..	..	121⅞	32⅝	161¼	119½	158⅛	10
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	12⅛	*13½	..
Tide Water Oil	..	..	225	165	195	5½	39¼	30¼	31⅛	1½
Timken Roller Bearing	..	..	..	..	59⅜	28½	56½	44⅞	54⅞	‡3
Tobacco Products	145	100	82⅝	25	115	45	110⅜	95¼	103	7
Do. Class A.	..	..	..	..	110⅜	76½	113½	103	*111½	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	5½	3	5⅛	..
Union Oil of Calif.	..	..	..	..	43⅜	33	58	37¼	53⅜	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	100½	83⅛	96¼	§2
United Drug	..	..	90⅞	64	175⅛	46¼	167	134	155⅛	8
Do. 1st Pfd.	..	..	54	46	58⅛	36⅝	58½	55⅛	*57⅛	3½
United Fruit	208½	126½	175	105	246	95¾	116½	98	113½	4
United Ry. Investment	49	16	27⅛	4¼	41	6	27½	19⅜	*24	..
Do. Pfd.	77	30	49¼	10½	83¼	14	86¾	65	*75	..
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	244¾	150	239	10
Do. Pfd.	84	40	67⅛	30	113	38	108	100¼	*105	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35¼	75½	45⅝	55⅝	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	48⅛	60	4
U. S. Rubber	59½	27	80½	44	143¾	22½	88¼	50¼	58	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	109	101½	106	8
U. S. Smelt., Ref. & Min.	59	30⅝	81½	20	78¼	18⅜	49⅞	36⅝	41½	3½
U. S. Steel	94⅞	41¼	136⅝	38	139¼	70¼	145	117	141	7
Do. Pfd.	131	102½	123	102	126⅝	104	130⅛	124½	129	7
Utah Copper	67½	38	130	48½	111	41⅛	105	93	103	5
Vanadium Corp.	..	..	..	..	97	19⅛	37⅛	29	36¼	3
Western Union	86¼	56	105½	53⅜	144⅞	76	147⅝	134½	*146	8
Westinghouse Air Brake	141	132½	143	95	144	76	134	105¼	131¾	‡6
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	79½	65	69	4
White Eagle Oil	..	..	..	..	34	20	29¾	25⅛	26½	2
White Motors	..	..	60	30	104½	29¼	90	51⅛	58½	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	18	28½	..
Do. Pfd.	..	..	100	69	123⅞	23	99	91⅛	95	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	9	6	*10½	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	222	135¼	167	‡4
Worthington Pump	..	..	69	23½	117	19⅞	44¾	20¼	30⅞	..
Do. Pfd. A.	..	..	100	85⅞	98½	65	80	68	*67	7
Do. Pfd. B.	..	..	78⅜	50	81	53½	66	53	*59	6
Youngstown Sh. & Tube	..	..	..	..	92½	59¾	89⅞	69	79¾	4

* Old stock. * Asterisk in last sale column indicates bid price. ‡ Not including extras. § Payable in stock. a Paid this year.

Securities and Commodities, Analyzed, Rated and Mentioned in this Issue

ANSWERS TO INQUIRIES

(Continued from page 690)

its competitors. In view of the fact that an upturn in metal prices is likely in later months the outlook for Motherlode is for earnings of a higher order. The stock at present levels seems to discount the apparently impossible existing situation. We believe you would be justified in holding with a view to developments.

AMERICAN CAR & FOUNDRY

I have always had a great deal of faith in American Car & Foundry, believing this company to have an excellent future before it, and consequently I was not moved to dispose of my stock last year when things shaped poorly. I am not influenced by the course of the stock market, being in the position to disregard this for the sake of ultimate reward. In other words, I am holding American Car & Foundry for an extreme long pull. Do you think I am acting wisely?—L. L. S., Reading, Pa.

The remarkable earning power of American Car & Foundry under adverse circumstances is testified to by the excellent showing of the company in 1925. Despite the depressed condition of the railway equipment industry, this company earned $6.67 a share on the common. Only part of these earnings came as the result of its own operations, a large portion being derived from its subsidiaries, and from dividends and interest on securities owned. The liquid position of the company continues strong. Cash, government and other security holdings exceed 28.5 millions. The company is an important factor in its field, and the possibilities attached to the manufacture of automotive vehicles, supplementing its activities in the equipment field, are enormous. Conditions in the industry could stand considerable betterment, but the outlook is for a brightening in trade. Hence, unless the unforeseen transpires, 1926 results should show a satisfactory improvement over those of last year. The stock at present yields a fair return and over a period of time is likely to sell higher.

UNION BAG & PAPER

I read with a great deal of interest the brief sketch on International Paper appearing in the July 17th edition of The Magazine of Wall Street. I believe you have gauged the situation accurately. I have always been partial to the "Papers" and also hold quite a large block of Union Bag & Paper. Can you give me any encouragement?—S. S. Boston, Mass.

Due to unsatisfactory trade conditions existing in 1925, notably overproduction, Union Bag & Paper did not do any too well from an earning standpoint. Net profit was equal to $1.52 a share on the common, against $3.17 a share in 1924. Nevertheless, due to speculative interest attached to the reported development by the company of a new and revolutionary process for the manufacture of pulp, the market course of the stock was featured by violent moves in both directions. A spectacular advance in market valuation was followed by a drastic decline. As matters stand today, and on the

basis of past performances, Union Bag is selling at about its actual worth. Its future price course will be determined by later internal developments. Viewed from a disinterested angle, a constructive attitude seems warranted. A better understanding exists among the larger manufacturers, and ruinous competition seems to lie in the past. Naturally, difficulties were encountered in the development of the company's new pulp making process, but it is understood that these have been largely eliminated. The prospects for ultimate success in this endeavor seem good. Hence, while Union Bag must be regarded as a speculation, it is not unattractive as such and offers promise for one willing to employ a measure of patience.

TEXAS COMPANY

Do you think I acted wisely in purchasing the common stock of the Texas Company recently for income and profit purposes? My banker, whom I regard as conservative, informs me that the finances of this company are in sound shape and it has a long record of stabilized earnings. I desire safety most of all but of course I am not adverse to an appreciation of my principal. Am I on the right track?—A. E. B., Jacksonville, Fla.

If your taste runs to oil stocks for income and profit purposes, you could hardly do better than purchase Texas Company. This stock, in our opinion, combines investment merit with speculative possibilities. The company has invariably given a good account of itself from an earning standpoint but last year, aided by an improvement in trade conditions, it fairly surpassed itself. Net income available for dividends aggregated 39.6 millions, almost 30% larger than the previous peak year, and fully 50% larger than the earnings of 1924. Financial position is unusually strong, current assets at the end of 1925 standing at 140.8 millions, against current liabilities of 19.7 millions, indicating net working capital in excess of 121 millions. In the year to date the company has given a good account of itself, and in view of the improved oil outlook stands to benefit in ensuing months. At present levels, the stock impresses us as being attractive.

ALLIS-CHALMERS

What is your opinion of the medium range possibilities of Allis-Chalmers common stock? I note that in the past you have spoken favorably of this issue but I realize that conditions change with the passage of time and not seeing anything recently in your columns regarding this stock I have been wondering if your opinion has changed. I have several hundred shares purchased considerably below the present market.—E. E. G., Manchester, N. H.

The situation in regard to Allis-Chalmers remains favorable. Not only has a 50% gain in tractor business over 1925 been recorded, but there has been increased demand for its hydro-electric equipment. As a matter of fact, orders in all its departments are holding up well. Unfilled orders as of June 30 last totaled in excess of 12.8 millions, against 10.7 millions on March 31. Manufacturing activity has required an expansion in its payroll, the number of workers standing at 6,626, very close to the peak of 6,900 reached in 1923. The steady increase in opera-

tions and these additions to its working staff will undoubtedly bear due reflection in later earning statements. In view of the company's showing to date and the optimistic outlook we are inclined to regard the stock as having good profit possibilities as well as investment merit.

PERE MARQUETTE

So many rapid changes have occurred in the situation affecting Pere Marquette that I am more or less at sea as to just where I stand as a common stockholder in this company. Do you think that the opposition of C. & O. minority stockholders to the Nickel Plate terms will be followed by like action on the part of Pere Marquette shareholders? Do you advise me to hold my stock?—J. B. B., Byron, N. Y.

According to recent advices, a practical agreement has been reached as to the terms to be given Pere Marquette stockholders in the Nickel Plate system. Definite statements have not as yet been forthcoming but it is quite likely that unless the Van Sweringens raise the ratio of exchange the Pere Marquette sub-committee will insist upon being permitted to make a substantial cash distribution to common shareholders before consummation of exchange of securities. Whichever way the matter is viewed, Pere Marquette shareholders stand to benefit. Certainly, in the light of recent earning statements a liberal attitude to shareholders is warranted. On the other hand, the remarkable expansion in earnings in recent years and the clearly indicated progress along these lines in the future entitle shareholders to generous treatment in merger negotiations. Regardless of which procedure is adopted the shares appear well worth retaining.

HUPP MOTORS

At a time when the motor stocks in general are showing great resiliency in the stock market I am rather surprised to note so little strength in Hupp Motors. How do you account for this? I was under the impression Hupp was doing remarkably well this year.—G. F. N., Atlanta, Ga.

Total production of Hupp Motors in the first six months of 1926, with June partly estimated, aggregates almost 27,000 cars. This compares with an output of 37,286 vehicles for the entire 1925 year. As the result of these operations, indications are the company earned something like $2.22 a share on the 913,809 common shares outstanding, against $2.33 a share in the 1925 half-year. Dealers' stocks are low, and unfilled orders are at high figures for this time of year. The present situation is entirely satisfactory, but it would be well to give serious consideration to what the future has in store. Motor manufacturers in general have enjoyed substantial prosperity for almost two years, but keener competition with a resultant shrinkage in profits seems to lie ahead, in consequence of which the smaller companies are likely to experience rather hard sledding. Hupp is well equipped to hold its own but it can hardly be expected to do much more. Hence, on the basis of visible prospects for the future the stock though sound in its class does not appear particularly attractive.

(Please turn to page 704)

(Continued from page 702)

ORPHEUM CIRCUIT

I was very pleased with the brief analyses on Famous Players and Loews you sent me. I am sure your advice will prove profitable to me. I am sorry I neglected to state I am also a stockholder in Orpheum Circuit. I am rather doubtful about this stock as a medium for profit and wish you would advise me just what to do.—F. M. G., Grand Rapids, Mich.

As the result of 1925 operations, Orpheum Circuit reported net income of $2,174,820, equivalent after preferred dividends to $3.03 a share on 549,170 shares of common stock, against $2,897,314 or $4.30 a share in 1924. While liquid assets declined somewhat this was balanced by a reduction in funded debt so that little change took place in financial position during 1925. The company did better from an earning standpoint in the first part of the current year, reporting $1.51 a share in four months, against $1.32 a share in the corresponding period of the preceding year. The outlook is for some further progress along these lines.

WHAT THE COMING HARVEST HOLDS FOR BUSINESS

(*Continued from page* 660)

spending more than they earned will be in serious plight. This undue extension of credit is a manifest evil in its present form, and as at present practiced, and some day will create trouble where it has been overdone.

The general feeling among the many for the immediate future is conservative but cheerful, always provided that the harvest turns out as now seems likely. There is no thought of higher prices in general, nor even in a few commodities. Consequently, speculation is not even considered as a possibility. But there is a belief in the likelihood of a somewhat larger volume of business as the result of freer and more liberal buying. If the stability of prices makes for hand to mouth buying it also leads to keeping up stocks since there is no danger losing on the stock on hand because of falling prices. Much will depend upon the prices of farm products, and the outlook at present is for moderate sufficient crops in all lines, always with the exception of cotton which is pure guesswork until it is picked. There are also comments by the observers as to healthy conditions in most sections. Labor troubles are few and employment is general. The farmers are freer from debt than for many years. Manufacturing seems to have learned how to control its output so as to obviate any long shut downs, or to necessitate cutting prices to get rid of accumulated stocks. Neither a great depression, nor an overflowing prosperity in the near future is even considered possible. The real problem that concerns the trade is how to handle affairs economically and profitably during a period of stability of prices and of hand to mouth buying, and when a large volume of business will be more difficult to obtain than when the spirit of speculation prevailed because of the temptation of buying heavily in hopes of realizing on higher prices.

A SILENT REVOLUTION IN COPPER

(*Continued from page* 659)

posed alliance in force. Moreover, there are so many diverse elements in the government that there is no assurance that some last minute opposition will not appear in that quarter. Only recently there was a resolution in the Senate to investigate the copper industry. It is hard to see what such an investigation would reveal except the meagre profits of recent years and the need of more adequate copper prices. Taking all factors into con-

sideration, however, there seems to be an excellent prospect that the new Copper Export Association will be in full swing before the close of the year, and that it will constitute an added element of strength to a situation which has been undergoing much fundamental improvement under the surface.

If control of export prices can be attained by this means, it can hardly fail to exert a beneficial influence on the domestic market, and hasten the restoration of the industry to a more prosperous basis. The copper industry has made definite progress in working out its salvation after many years of adjusting itself to new conditions, but it must still be regarded as in the nature of a gradual process.

The shares of the very high cost producers are not yet a good risk. Neither is it the proper time to speculate on the future of the ordinary new copper mining promotion. The industry needs less rather than more productive capacity for the present. Fortunately there are no proven deposits recently discovered sufficiently extensive to become a disturbing factor in the near future. Present capacity will take care of requirements for some time to come, but if nothing occurs to reverse the constructive policies formulated by the larger interests, a firm foundation is being laid for enduring prosperity based on eventual improvement in the foreign situation, together with the back log of steadily increasing domestic copper consumption.

THE TWENTY BEST INDUSTRIAL BONDS

(Continued from page 664)

best industrial bonds are not practical for the private investor. Typical are General Electric debenture 3½s which yield about 4.35% and give a current income of only 3.87%. What such a quotation reveals is that the industrial bond has arrived.

There is a further possibility in industrial bonds, which has also been urged on behalf of utilities. It may take quite some time, but, eventually, when preferred stocks have been snapped up and brought into conformity with bond yields, allowing for differences in intrinsic value, all of the best bonds will be forced into closer alignment. Industrial bonds would then be a mere shade below railroad bonds, wholly on account of the institutional demand for rails due to restrictions. It would be timely for an agitation to be initiated by large industrial organizations to permit purchase of industrial bonds of the best type, by savings banks and trustees. Undoubtedly when utility bonds will have been made "legals" in the more important investing states, industrial bonds will soon follow suit. Until that time they will always be more attractive than rails for the private investor.

UNION PACIFIC, A RAILROAD PLUS—

(Continued from page 669)

000 largely through increase of $3,573,000 in the maintenance expenditure. This work has attained a splendid start this year by virtue of an open winter. The coming months, however, should witness a relatively reduced appropriation. It is not at all unlikely that by the end of the year the 1916 operating income will have been equalled or exceeded.

As bearing upon the general condition of the property, it may be noted that in the 9½-year period from June 30, 1916, to December 31, 1925, there were was expended for additions and betterments to fixed property 101.3 millions and for equipment 75.2 millions, a total of 176.5 millions. In this same period, retirements amounted to 15.4 millions, leaving a net gain of 161.1 millions.

Surplus earnings remaining after payment of dividends contributed 101.1 millions in these 9½ years, while depreciation in excess of 35 millions was charged against earnings. Funded debt increased 80 millions, but in addition to betterments noted above there was purchased in 1921 for 32 millions one-half of the stock and bonds of the Los Angeles & Salt Lake. As the Oregon Short Line already held the other half, absolute control was gained and the subsidiary taken into the Union Pacific System.

Not only were the company's investments held intact during this period, but were slightly increased. These are of two kinds, investments in affiliated companies and investments in outside concerns. The former cover railroad, terminal, steamship, coal, lands and water companies. From an income standpoint the most important factors are the Pacific Fruit Express, held jointly with the Southern Pacific, and the Union Pacific Coal Co., owned outright. On December 31 last some 20 million par value of bonds of affiliated companies were carried at about 19.5 millions. Stocks of a par value of 34 millions, which in the aggregate paid dividends of $4,240,000 in 1925, were carried at less than 21 millions. It may also be noted that thirteen of these companies, in which Union Pacific has the full control, show a book value more than double their par value.

Outside investments are entirely in government bonds and railroad securities. Just under 41 millions par value of the former were carried at just over that figure on December 31, 1925. On the same date there were held bonds and equipment notes of 27 railroads in par amount 80.5 millions, with market value somewhat in excess of par, which were carried, however, at 71 millions on the company's books.

In Table C are shown the rail stocks held in Union Pacific's treasury. These stocks are carried at $90,694,600. Ownership of Illinois Central includes $10,120,000 common and $2,852,000 in

the name of Railroad Securities Company, the stock of which is all held by Union Pacific.

Of the 251 millions par value of investments, but 86½ millions are pledged —4 million bonds of affiliated companies, 26 million bonds of other railroads and 34½ million stocks of other railroads. The remaining investments are available for hypothecation, sale, or distribution. In figuring upon a possible distribution quite a number of contingencies can be developed, particularly as both collateral issues fall due within the next three and a half years. These are the 20 million Union Pacific ten year 6% notes and the 45 million Oregon Short Line refunding mortgage 4% bonds. The only other important issue falling due within the next twenty years is the issue of $26,835,000 Union Pacific convertible 4s maturing next year.

It might be assumed that the securities of affiliated companies would be held intact, that the convertible 4s would be paid off out of United States bonds, and that the pledged stocks and bonds of outside railroads which have currently a market value of 66 millions would be reserved to meet the two collateral bond issues amounting to $65,000,000. There could be distributed the remaining rail securities of value 108 millions, equivalent to $48 per share of Union Pacific common.

The company would then be in the position of having reduced its debt by $92,000,000 and of having available as future collateral the 54 million stocks and bonds of affiliated companies, as well as the $59,000,000 bonds of the Los Angeles & Salt Lake, not otherwise considered as outstanding. Fourteen million government bonds would have been added to working capital.

The loss of interest and dividends from investments would have amounted to approximately $9,248,000 in 1925, but the interest saving on the road's own indebtedness would have come to $4,073,000—a net loss of $5,175,000. This would have reduced common share earnings by $2.33 or from $15.40 to $13.07.

Based on an average present earning power of $15 per share, dividends of $8 following the special distribution, would be amply warranted. If, as is confidentally expected, the company is entering upon an era of markedly increased earning power, even the $10 dividend could be maintained, particularly as heavy maintenance and depreciation have tended to hide the light of recent earnings under a bushel. In but a single year of the past twenty, would common earnings have fallen short of $10 and then by a matter of a few cents a share in 1921.

This hypothetical distribution of Union Pacific's investments has been presented not necessarily as a near term probability—not certainly for its originality. The discussion has been essentially in the nature of an analysis of the investment and speculative position inherent in the road's extraordinary treasury position.

The book value of Union Pacific com-

mon based upon the company's balance sheet statement of surplus was on December 31 last $215 a share. This may well be considered an absolutely minimum. It has been arrived at after setting up a large depreciation reserve against property values that have always received conservative book treatment and makes no allowance for certain large equities in the Los Angeles and Salt Lake and various other subsidiaries. A much larger value, $265 a share, for the stock is not difficult to trace out.

Unquestionably, Union Pacific is not only attractive but cheap, whether viewed with an eye to investment merit or long term speculative possibilities, though considering its rapid rise in recent months, purchase might be deferred temporarily pending the inevitable reaction.

AN ECHO OF OLD TIME RAILWAY BUCCANEERING

(Continued from page 657)

a clerk in the Land Office, by a fateful error, issued a patent to an odd section in the Gallatin National Forest in Montana. Having thus got its toe in the National Forest door, the Northern Pacific proceeded to shove its foot in and got a decision from the Supreme Court that the Land Office must proceed to fulfill the land grant as long as odd sections remained in the grant zones if they were needed to that end.

According to Forest Service calculation, the land in dispute is worth up to $50,000,000 while the railway officials price it at $30,000,000 at the most. Some of it has high agricultural value and much of it is magnificent virgin timber of the finest quality, worth several hundred dollars an acre. Aside from the actual value of the land the National Forest would be all but ruined from an administrative and forestry management point of view if their already scattered units were to be further depleted to the rule of every odd section. The ultimate loss to the public domain and the public through the injury done to one of the nation's chief areas of perpetuation of forests for continuous production and utilization of forest products is incalculable.

In this crisis, the Forest Service bethought itself of the conditions of the land grants, looked into them, and found such a mass of evidence, pointing to negligence, failure, wilful evasion, outright contempt for covenants, and even worse, that the Secretaries of Interior and Agriculture were prompted to appeal to Congress through President Coolidge for protection from the consequences of literal compliance with the Supreme Court rule—which did not involve the question of contract fulfillment by the railroad. Congress acted promptly and created a joint commission to determine whether the Northern Pacific had earned its land grant. Some startling evidence has been adduced. For example:

That 1,500 miles of the Northern Pacific main line were not completed within the time limit; and that the stipulation that the granted lands if sold to satisfy a mortgage must be disposed of at public sales within the states and territories where situated to the highest bidder by single sections or less was ignored in both the first and second reorganizations of the road. Both reorganizations also ignored, it is alleged, the provision that the lands must be sold at public sale to the highest bidder in parcels of a section or portions thereof.

There was also a provision that lands not so sold within five years were to be sold to homesteaders at a flat price of $2.50 an acre. As a matter of fact, private sales have been at a much higher figure, some as high as $50 an

acre; and, in the case of townsites, hundreds and even thousands of dollars an acre. Land speculators, timber companies and others have obtained great tracts of the homestead land at private sale. Evidence was presented tending to show that the location of the railroad was purposely made circuitous in order to augment the land grant.

Perhaps the most sinister echo of the old days of political railroading that comes out of the testimony is that in regard to the manner in which odd sections of land in the initial grant zones were classified as mineral. First, it must be remembered that every time such a section could be called mineral the company was at liberty to indemnify itself with choice timber or farm land in the outer grant strips. Two on-the-spot witnesses, one of them a member of the commission to designate the mineral lands, have testified that the whole selection was under the scrutiny and influence of the railway with the result that every original-grant odd section that was a rockpile, lacking in valuable timber or of no agricultural value was marked as mineral, even though it was evident that no prospector would ever stop his burro long enough to crack off a piece of the worthless rock. It was truly amazing how nature had concentrated so much "mineral land" in the odd sections. The outcome was that the government was left with the worthless land and the railway company got the cream throughout vast regions of the northwest.

According to the testimony, the Northern Pacific has derived $277,000,000 from the sale of its lands so far. The contract with the government provided that *all revenue from land sales* was to be devoted to the original construction of the railroad. That cost only $67,000,000; what about the remaining $210,000,000? Benevolent Uncle Sam, according to the government's case, now has a most ungrateful child on his hands. Uncle endowed the child, it appears, with almost twice as much as he needed, and now the unnatural scion demands $30,000,000 more of the avuncular estate, even to the extent of ruining a number of great national forests.

What will the investigating committee decide to do—now that it has closed its hearings? It might draft a bill for Congress to consider, that would throw a bomb into Wall Street. It might even seek to strip Northern Pacific of all its lands and force a cash restitution of $210,000,000. But a more liberal attitude will probably prevail—certainly would—if the railway company were to evince a more accommodating attitude.

So many years have elasped since the beginning of the pictured mess of noncompliance and neglect, or worse, of law and contract that the government has lost some of its moral right to correct obliquities; to which it was more or less a party in the old days when exploiters of public resources and government officials were friends for common profit. Moreover, the Northern

Pacific was finally built and has splendidly served the national purpose politically and militarily, as well as in the development and population of an empire that has become the home of prosperous millions and a source of prosperity to the whole nation.

On the other hand, land that formerly was only a nuisance to the government has become extremely valuable and a special public interest attaches to the national forests. It is doubtful whether any commission or any Congress would dare to go on record in favor of allowing the railway company to cull the national forests of Montana, Idaho and Washington for the choicest timber land when the nation is already consuming forest products three times as fast as it is growing new forests. Moreover, there is little doubt that the blunder—of a sort that Fouché would have said was worse than a crime—committed by the railway company when it stirred up the sleeping dog of its technical right to lands in the national forests will be condignly punished. The punishment possibly will take the form of demanding the return to the government of the 6,000,000 acres (assessed at $48,000,000 and perhaps worth twice as much) of patented land remaining in the hands of the railway company unsold. As a credit against this $100,000,000 fine the company may be allowed $2.50 an acre—the amount it might legally have sold the land for.

So far as Congressional action is concerned, then, the Northern Pacific stands to lose $50,000,000 worth of unpatented land, which investors in its securities have counted among the company's assets, and close to $100,000,000 worth of land already in its possession and entered on its balance sheet. This is a stunning blow even for a $700,000,000 corporation.

But then the Supreme Court?

Probably, the blow will be cushioned in the courts, if the company does not "come down" while descending is still feasible, but with the precedent of the analogous Oregon & California (Southern Pacific) land grant decision in stark view, it would take a very cautious prophet to say that the Northern Pacific will come out of the controversy without serious loss.

Roadster $795—Sport Roadster $880
f. o. b. Detroit

A Year from Today

What will your car be worth *then*? - - Or in *two* years? - - Or in *five*?

Important questions, these —but they create no worry, no uncertainty for the owner of a Dodge Brothers Motor Car.

90 per cent of the 1,600,000 Dodge Brothers Motor Cars still in service—

Owners enjoying six, eight and even ten years of faithful performance! Mileage running into six figures a common occurrence—

Depreciation costs so low you seek in vain for a parallel—

Resale values unusually high, yet an eager market to absorb them—

Upkeep costs so nominal that it would be difficult to find records to match them—

A greater percentage of costly Chrome Vanadium Steel and drop forgings than in any other car in the world, regardless of price—

In a word—Long Life—a phrase internationally associated with Dodge Brothers name.

DODGE BROTHERS, INC. DETROIT
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TORONTO, ONTARIO

DODGE BROTHERS
MOTOR CARS

PART V: THE TECHNIQUE OF MANIPULATION (Concluded)

(*Continued from page 671*)

have strengthened their margin accounts, seeing all this activity in the stock at rapidly rising prices conclude that the bull market has resumed under full steam, and hasten to average down by doubling up on their holdings before the opportunity passes. There is no news—none is needed, although other stocks around the room are inclined to be "soft." We cannot say how much stock the pool succeeded in feeding out during the competitive scramble; but the tape records that 125,000 shares of Consolidated Electric changed hands that day. The price reached a little above 119, but closed down over a point from the high.

Next day the stock was opened up at around the previous day's high, and the pool sold relentlessly from opening to close. Pressure was then lifted for two days, but the resulting rally was feeble. Speculators had been grievously disillusioned, and many who had overloaded on the fatal rally, stayed away from their brokers' offices to avoid further temptations and in fear of meeting the margin man.

Pool selling is resumed: with moderation the first day, in steam shovel quantities the second day. One hundred and forty-seven thousand shares change hands, and the price closes below 109. The pool has liquidated.

It will be recalled that the pool manager is assumed to have put out short stock against all his calls on the way up. Assuming the average price obtained to have been around 118, this would have given him a profit of about $340,000 on the 20,000 shares; not to mention anything extra he may have made on side trades for his own account. This seems to be good pay for six or seven months' work; but it must be remembered that really capable market manipulators are few in number, and their services not easy to obtain.

A successful manipulator feels that he can usually make more money trading on his own account than by acting for others, and it frequently happens that a matter of friendship becomes the deciding factor in gaining his consent to manage a pool. The collapse of certain ill-fated pools at the end of the late bull market shows that inexperienced leadership may be ruinously expensive. The pool did not fare badly either in the example we have assumed. With the probable average price of 113 obtained for its holdings, profits must have run something over a million, which would be 50% to 100% on the amount of capital subscribed to the pool. This is undoubtedly more than the average pool can succeed in making.

The Final Decline At 109, more margin calls are

sent out, reams of them—and urgent. Only a few respond. The others are all broke or disgusted. Big professionals, foreseeing this situation, have already gone heavily short from 115 down to 109. Next day they sell more fearlessly at the opening gong, and so does the pool manager. On transactions of 129,000 shares, the price falls below 104—helped by the closing out of weakly margined accounts. This is real *liquidation*—selling of long stock "at the market," by numerous outsiders.

At H on our graph, all this selling ceases temporarily, and scattered short covering causes a moderate rally for a few days, during the period H to I. On this rally the pool manager feeds out more short stock, and the price gradually sags back to the old low.

The final decline to 96 may be precipitated by some disturbing item of news, domestic or foreign. More margin calls will be sent out, to which there will be little response.

On transactions of 60,000 shares the price declines five points in a day. The decline from I to J takes place on smaller volume than one might anticipate, for the pool, having liquidated its long stock and gone short on balance, has taken this occasion to make actual delivery of the certificates for all its old long stock. This makes the stock plentiful in the loan crowd and gives renewed courage to the big bears.

Re-accumulation During distribution, the gossip and news all the way down will be highly characteristic. Daily financial columns, and un-named insiders, will talk of bear raids, a healthy reaction, or the tail end of final liquidation; and there will be much talk from other sources of shake-outs, double bottoms, and inside buying. All such talk, as proved subsequently by the market's continued weakness, is mere guesswork put out to give the public, ever bullish at heart, the sort of encouragement it craves. It bolsters up hope, while draining the pocketbook.

Taking advantage of the rather heavy volume on what proves to be the final decline, our pool leader decides it is time to cover his shorts and begin to go long again on balance. He has learned that the customary summer recession in general business activity is not likely to degenerate into a real business depression, for prospects are growing bright that the business man's favorite candidate for President of the United States will be elected in the fall. There is no radical sentiment of any consequence in political circles. Moreover, the volume of new orders pouring into the factories of Consolidated Electric seems to assure unusual prosperity for this company at least for a year to come.

The pool decides to begin the process all over again, and its support leads part of the short interest to cover and rally the price up a few points. The pool puts out short stock on this rally, circulates reports that no extra dividend can be expected on Consolidated

(*Please turn to page 715*)

Bank and Insurance Stocks

Quotations as of Recent Date

	Bid	Asked
NATIONAL BANKS:		
American Ex-Pacific (18A)	445	450
Chase (20A)	422	426
Chatham & Phenix (16)	361	370
Chemical (24)	795	810
City (20A)	620	626
Commerce (16)	384	388
First (N. Y.) (100A)	2545	2575
Hanover (27)	1045	1065
Park (24)	485	495
Public (16)	548	555
Seaboard (16)	660	680
TRUST COMPANIES:		
Bankers (20)	645	650
Bank of N. Y. & Trust Co. (22)	627	635
Brooklyn (30)	775	790
Central Union (33)	890	905
Empire (16)	345	350
Equitable (12)	280	284
Farmers' L. & T. (16)	548	560
Guaranty (12)	392	396
Irving-Columbia (14)	338	342
Manufacturers (20)	523	530
New York (20)	550	560
United States (60)	1745	1775
STATE BANKS (NEW YORK):		
America (12) (V. T. C.)	320	330
Corn Exchange (20)	588	595
Manhattan Co. (8C)	222	227
State (16)	590	610
United States (10)	310	320
INSURANCE COMPANIES:		
Aetna Fire (24)	530	540
Aetna Life (12)	685	695
*Fidelity-Phenix (6)	186	190
*Continental (6)	129	132
Glens Falls (1.60)	38	41
Globe & Rutgers (28)	1450	1500
Great American (16)	281	285
Hanover (5)	185	195
Hartford Fire (20)	520	535
*Home (18)	338	343
*Carolina (1)	28	31
Milwaukee Mech. (2.20)	32	35
National Fire (20)	720	740
Niagara (10)	230	240
*North River (4)	107	115
*United States (4.80)	136	144
Stuyvesant (6)	210	217
Travelers (20)	1230	1235
Westchester (2.50)	45	46
SURETY AND MORTGAGE COMPANIES:		
American Surety (8)	185	190
National Surety (9)	217	221
Lawyers Mortgage (14)	288	294
Mortgage Bond (8)	150	160
JOINT STOCK LAND BANKS:		
Bankers of Milwaukee	80	90
Chicago (6)	106	112
Dallas (10)	135	142
Denver (8)	124	128
Des Moines	85	95
First Carolina (8)	122	130
Kansas City (6)	104	110
Lincoln (9)	131	136
New York (10)	145	155
St. Louis (9)	140	150
Southern Minnesota	85	95
Virginia (.50B)	7	7½

(A) Includes dividends from Securities Company. (B) Par $5. (C) Par $50. *Members same group.

THE increasing popularity of bank stocks as investments has brought with it the inevitable skepticism as to whether or not the basis for prevailing quotations in these securities has been considerably overstated. Bank stocks, in the United States, sell on what appears superficially to be a low yield basis—lower than any other investment, in fact. The defense of such prices, rests, of course, in the implicit assumption that extra dividends, whether in cash or stock, and increase in book value pending such distributions, in reality bring the yield to a point at least in line with investments of similar calibre. The case for bank stocks is based not only upon their experience over many decades, but more especially upon the experience of the last ten years. It is assumed that the next ten years will show a development not very dissimilar to that which has hitherto prevailed. The basis for the prevailing prices of bank stocks, though, is not to be found in any such assumption. These prices are actually based on the earnings per share, here and now. For example, Canadian banks distribute all of their earnings, except a rather small amount, in dividends. The best of such securities, the Bank of Montreal, say, shows earnings as 5.55% of prevailing price. Yield is 5.09%. Superficially, this would appear decisive as against New York City national banks, the average yield of which is about 3.50%. But as to earnings, it appears that national banks earn about 4.75% on their market price, state banks, 5.10%, and trust companies, 5.60%, or more than the basis used for Bank of Montreal. That reserve position is the key to the difference in quotations is shown by the ratio of book value to market price. All in all, New York City bank stock sell at about 60% to 100% above book value, whereas Canadian bank stocks sell about in conformity with book value. Hence, the apparent discrepancies turn out to be rather small after all, and to turn upon the different reserve policies of the two types of banks.

From a comparative market viewpoint, bank stocks are today much cheaper than they were a year ago. To sell at about twenty times annual earnings, all of which earnings are attributable ultimately to the shares, is not much more than bank stocks sold for last year. But at that time investment yields were much higher than they are today. With bonds selling down below 5% that a year or two ago sold to yield 6%, it follows that relatively bank stocks have receded. That is to say they are not selling on the analogy that the future will resemble the past, but much more in conformity with ordinary investment standards.

The bank stocks that are selling purely upon analogy with the development of the more powerful banks, are those numerous new ventures that we have frequently cautioned about in this column. Yet, it is true, that here and there among prime bank stocks are those that sell too high, and the bank stock investor is now faced with a situation calling for more discrimination than has hitherto been the case.

THE TECHNIQUE OF MANIPULATION

(*Continued from page* 713)

Electric before the next annual election some months hence; then covers its shorts, buys more on balance, and gives support to its stock on the second dip to 96.

During the interval J to K, re-accumulation proceeds as described in Capter III. From K, the price was manipulated upward forty points in three months, without a five-point reaction. Less than two years later, the stock crossed 297.

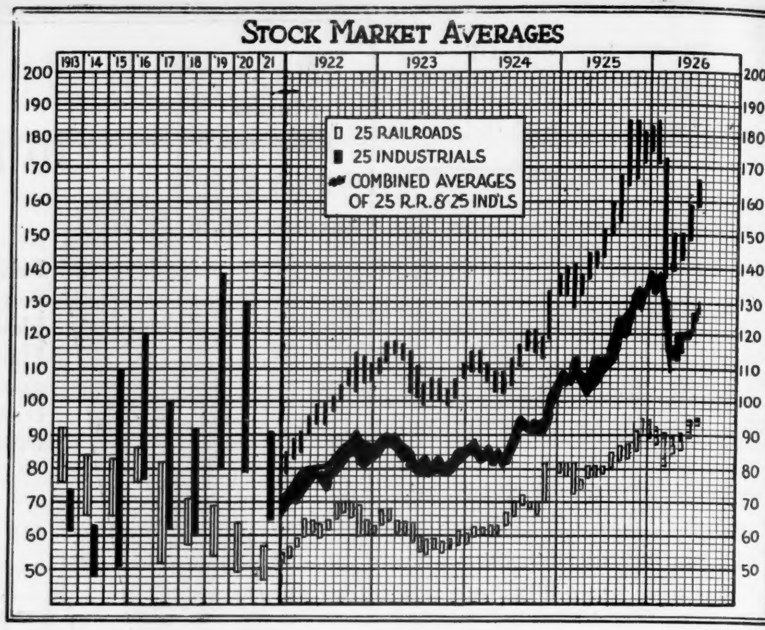
Summary Though the graph that accompanies the foregoing account of the technique of manipulation actually depicts a historic episode in the old common stock of American Can, we have adopted the fictitious name, "Consolidated Electric," to avoid misleading our readers. No one but the pool manager would be in a position to supply all the correct details of what actually happened in "Can"; and naturally, it would not be to his advantage to disclose such intimate inside information. What we have tried to accomplish is to help the reader visualize both sides of the tape as a means of gauging the forces at work beneath the surface. The general principles of manipulation are sufficiently universal to account for the chief price movements in almost any speculative favorite.

The next installment will be on "Tape Reading."

Important Dividend Announcements

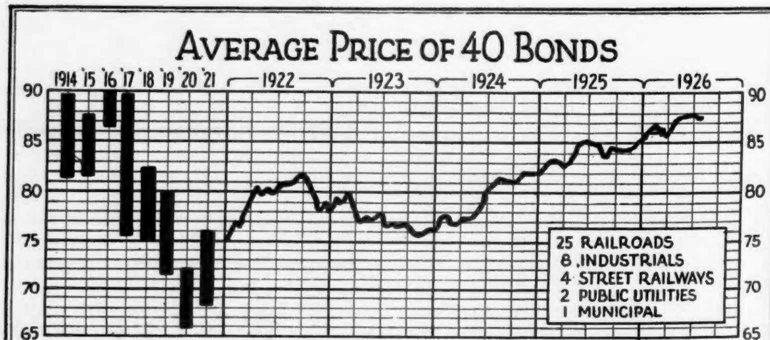
Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

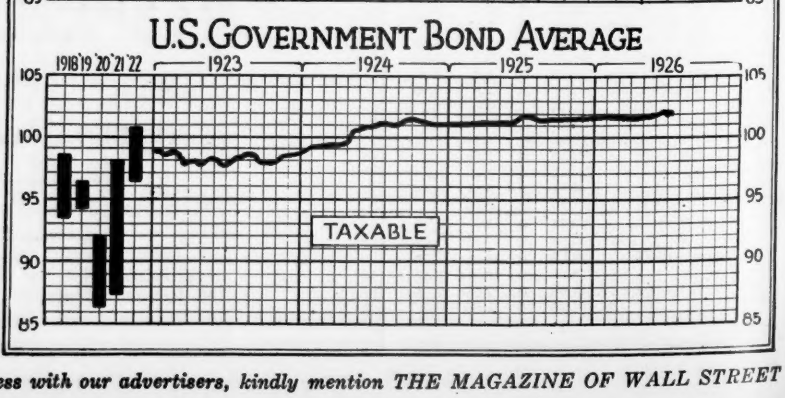
Ann'l Rate		Amount Declared		Payable	Stock Record
$2	Amer. Can cm.	$0.50	Q	7-31	8-16
$1	Am. La France cm.	$0.25	Q	8-2	8-16
7%	Am. Radiator pf.	1¾%	Q	8-2	8-16
$7	Am. Smelt. & R. pf.	$1.75	Q	8-6	9-1
$1.20	Am. Wat. Wks. cm.	$0.30	Q	8-2	8-16
Stk	Am. Wat. Wks. cm.	2½%	Ext	8-2	8-16
$4	Borden Co. cm.	$1.00	Q	8-16	9-1
—	Borden Co. cm.	$0.25	Ext	8-16	9-1
$8	Cent. R. R. N. J.	$2.00	Q	8-6	8-16
$5	Col. Gas & El. cm.	$1.25	Q	7-31	8-16
$7	Col. Gas & El. pf.	$1.75	Q	7-31	8-16
$5	Cont'l Can cm.	$1.25	Q	8-5	8-16
$2	Elec. Refrigeration	$0.50	Q	8-2	8-20
Stk	Elec. Refrigeration	1¼%	—	8-2	8-20
$3	Gillette S. Razor	$0.75	Q	8-2	9-1
—	Gillette S. Razor	$0.25	Ext	8-2	9-1
5%	Hudson & Manh. pf.	2½%	SA	8-2	8-16
$7	Int'l Harvester pf.	$1.75	Q	8-10	9-1
$2	Int'l Paper cm.	$0.50	Q	8-4	8-16
$1	Miami Copper	$0.25	Q	8-2	8-16
$0.80	Nat. Pwr. & Lt. cm.	$0.20	Q	8-14	9-1
$3	Pennsylvania R. R.	$0.75	Q	8-2	8-31
$2	Prairie Oil & Gas	$0.50	Q	7-31	8-31
$8	Sinclair Oil pf.	$2.00	Q	8-2	8-16
$2	Skelly Oil	$0.50	Q	8-16	9-15
$6	Stewart-Warner	$1.50	Q	7-31	8-16
$4	Woolw., F. W., cm.	$1.00	Q	8-10	9-1



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, July 8...	87.79	155.66	115.70	128.75	127.07	1,666,916
Friday, July 9.....	87.71	153.74	115.21	128.75	126.87	1,776,580
Saturday, July 10..	87.78	155.06	115.69	128.20	127.40	576,770
Monday, July 12...	87.76	155.58	116.03	129.27	127.73	1,456,878
Tuesday, July 13..	87.74	156.83	116.29	129.79	128.07	1,549,756
Wednesday, July 14	87.66	157.12	116.04	130.07	128.72	1,866,704
Thursday, July 15.	87.55	155.84	115.47	129.43	127.90	1,395,550
Friday, July 16....	87.43	157.81	115.34	129.60	128.32	1,624,283
Saturday, July 17..	87.49	158.81	115.44	129.75	128.92	1,033,800
Monday, July 19...	87.44	158.94	115.08	130.29	128.71	1,704,352
Tuesday, July 20..	87.45	157.63	114.51	129.47	127.94	1,976,203
Wednesday, July 21	87.35	156.41	113.90	129.47	127.86	1,690,920





Put Your Investment and Trading On a Sound Basis

Subscribers to The Investment and Business Forecast have been put into the right stocks at the right time—and have been making money right along.

When you conduct your security operations in accordance with our suggestions you do not have to wade through a long list of securities hunting for those which may appeal to you.

Our trading instructions are concise and limited to a maximum of 25 stocks at a time—but normally ranging from 8 to 15. The Bargain Indicator carries approximately 30 issues, but actual buying instructions are limited to from 6 to 10 in current issues. The same is true of the bond recommendations.

Here is the list of all buying recommendations for trading profits made from April 8 to July 13. The list at no time exceeded 12 issues. We began taking profits June 8, and took a neutral position July 20, when we closed out the last of this group of recommendations. This was just as stocks started to break. How many of these stocks did you buy—or would have selected at the time we made our recommendations? And would you have sold out before July 20?

Stock	Recommended at
Baltimore & Ohio	85 to 89
Brooklyn Manhat. Transit	63 to 64½
Chesapeake & Ohio	123 to 124¼
Consolidated Cigar	51 to 55
Erie 1st Preferred	38 to 40
Famous Players	116 to 122½
General Motors	121 to 123
General Railway Signal	87 to 88
International Combustion	42 to 45
International Harvester	115 to 118½
Loew's	37 to 38
Mack Truck	115 to 116½
Marland Oil	57
New Haven	45
Phillips Petroleum	43 to 45
Southern Railway	109 to 112
Standard Oil of Calif.	54 to 55½
Shubert	62 to 63½
Willys Overland	28

We also advised on July 20 that profits be taken on five common stocks carried in the Bargain Indicator, with profits as follows:—

Consolidated Gas	**9 points**
Southern Pacific	**8 points**
New York Central	**9 points**
Texas Company	**3 points**
Union Pacific	**8 points**

On July 13 we had closed out Pere Marquette Prior preferred with 13 points profit and New York, Chicago & St. Louis preferred with 9 points profit.

Look at today's quotations and see what this advice would have been worth to you.

Here is the service you receive

Service Report

1.—An 8-page service report issued regularly every Tuesday, with occasional special issues covering important changes in the technical position—sent by air mail if desired. Subscribers living outside the over-night mail delivery zone may have a brief summary of the technical position advices sent collect by night or day letter telegram or in coded fast wires.

Colorgraphs

2.—The Richard D. Wyckoff colorgraphs of Business, Money, Credit and Securities.

Technical Position

3.—The technical position for traders, showing what and when to buy and sell.

Bargain Indicator

4.—Dividend paying preferred and common stocks for income and profit.

Unusual Opportunities

5.—Two recommendations each week of high grade securities with possibilities for market profit. Genuine bargains, critically analyzed—and we tell you when to sell.

Bonds

6.—Each week tables of standard bonds for income only, and also for income and market profit.

Trend of Leading Industries

7.—A thorough survey of the various fields of industry and finance.

Replies by Mail or Wire

8.—Prompt replies to inquiries for opinions regarding a reasonable number of listed securities (limited only to 12 issues in any one communication)—or the standing of your broker.

A Special Wire or Letter

9.—A special wire or letter when any important change is foreseen in the technical position.

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Street and No. ....

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☐ Wire me collect upon receipt of this, what trading position to take, naming eight stocks.

New York Curb Market

IMPORTANT ISSUES

Quotations as of Recent Date*

Name and Dividend	1926 Price Range High	1926 Price Range Low	Recent Price
Albert Pick Barth wi.	13	10	13
Amer. Gas & Elec. (1)	99¾	64	93
Amer. Super Power A (1.5)	37⅞	19½	26¼
Amer. Super Power B (1.5)	39	21	27¼
Centrif. Pipe (1)	27	15¾	22⅛
Cities Service New (1.2)	42⅛	37⅛	41⅜
Cities Service Pfd. (6)	86⅞	82⅜	86⅛
Continental Baking B.	30½	8¾	10
Continental Bak. Pfd. (8)	101	86½	93⅛
Curtiss Aero	23⅞	15⅛	17¼
Curtiss Aero Pfd. (5)	89½	75½	85
Durant Motors	13¾	3⅛	5⅛
Elect. Bond & Share (1)	86	56⅛	70⅛
Electric Investors	74½	30¾	42¼
Ford Motor of Canada (20)	655	440	525
General Baking A (5)	97½	44⅛	58½
General Baking B.	17⅞	5	6¼
Gillette Safety Razor (3)	114	89	94
Glen Alden Coal (7)	171	138½	165
Goodyear Tire & Rubber	40	28	36
Gulf Oil (1.5)	93¾	82	84¾
Happiness Candy Store (50c)	8¼	5⅞	6
Hecla Mining (2)	19¼	15½	17¾
Horn & Hardart (1.50)	62⅞	41	53⅛
International Utilities B.	9⅞	4⅛	5
Land Co. of Florida	47¾	21	27
Lion Oil & Refining (2)	25¾	20⅛	22½
Metro Chain Stores	50½	25½	32
Mountain Producers (2.40)	26	23	24⅝
New Mex. & Arizona Land	17	9⅛	13
Nipissing Mining (60c)	7½	5	5⅛
Northern Ohio Power	26⅛	11	14½
Pacific Steel Boiler	16⅜	11	12½
Puget Sound P. & L. ($4)	66½	28	29
Reo Motor (80c)	25⅜	19¼	20⅛
Rickenbacker Motor	9½	3	3¾
Salt Creek Producers (2)	36	28⅞	31
Servel Corporation A.	30½	15⅛	22
Southeast Pwr. & Lt. new	46¾	20	28
So'east Pwr. & Lt. Pfd. (4)	66½	59	66
Stutz Motors	37¾	19	26⅛
Trans Lux	14	6½	8⅛
Tobacco Products Export	4⅞	3½	4
Tubize Artif. Silk	240	161	186
Victor Talking Machine	97⅜	68	85
STANDARD OIL STOCKS			
Continental Oil (1)	25⅞	19⅛	20¾
Humble Oil (1.2)	99⅝	52	59
International Pet. (50c)	35¼	28¾	32½
Ohio Oil (2)	67⅜	55¾	56
Prairie Oil & Gas (50c)	60¼	48	50¾
Standard Oil of Ind. (2.5)	70½	61¼	64⅛
Standard Oil of N. Y. (1.4)	47¼	30⅜	32⅝
Vacuum Oil (2)	109⅜	94⅛	102⅛

*Dividends quoted dollars per share, July 20.

FOLLOWING the orderly advance on the Curb, which has been sustained for several weeks with hardly a breathing spell, many traders decided to take their profits and the list generally succumbed to this selling pressure in the late sessions. Intermittent rallies, which reoccurred during these sessions, gave the impression of more stability at the higher level than actually existed. The oil shares, heretofore one of the strongest groups on the Curb, gave way to profit-taking and, almost without exception, both the independents and the Standard Oil stocks sold off.

A breathing spell is past due in this section of the list and whether the movement will develop into anything more than a temporary lull depends pretty much upon developments within the industry itself. Refined products are spotty, taking the country as a whole, and in some sections where supplies of gasoline and other products have been accumulating, open market prices are being shaded in an effort to move supplies into consumer channels. So far, the crude division has not been materially affected but apparently some apprehension exists in this direction also. Even the erstwhile favorites among the South American oil shares are less interesting marketwise than heretofore.

Public utility shares have held their own with a few unimportant exceptions while *American Gas & Electric* gained over 7 points during the fortnight on buying that appeared to be of substantial character. Industrial shares were active and the leaders in this section including *General Baking*, *Gillette Safety Razor* and *Glen Alden Coal* showed gains of from two to five points. *Ford Motors of Canada* continues to regain some of the ground lost when the stock took a sharp drop several weeks ago simultaneously with the new tariff schedules and the price revision announced by the company.

The rest of the motors reflected the mixed conditions existing within the industry. *Durant* was easy, and at the end of a slow slide downward, lost practically all of the ground gained in the recent advance. *Stutz Motors*, in contrast, continues to be well bought and gained fractionally in spite of weakness in the other motor shares. *Albert Pick, Barth & Company*, which was recently recommended in these columns as a speculation is working gradually into higher ground, and, in the late sessions, a total gain of three points over the price at which the shares came on the Curb was registered.

BOLSTERING THE MARKET THROUGH REFUNDING OPERATIONS

(*Continued from page* 649)

money on its own account, but turns the investor's mind to that corporation's bonds. This makes it progressively easier to market senior securities at lower coupon rates, and is an indirect source of future savings to common stockholders. But such contingent

gains have no present market significance.

A more direct gain is in the calculation of common stock quotations in their relation to earning power. In 1921 when a sound corporation's preferred stock sold to yield 9% it would be ridiculous to expect the common stock to sell for ten times annual earnings, since the preferred stock was selling for only eleven times its yield. But when preferred stock sells on a 6% basis, or nearly seventeen times its yield, then it seems plausible for a good common stock to sell at twelve times its earnings.

When a preferred stock sells at twenty times its yield, a good case could be made out for common stock selling at fourteen times its earnings. Naturally, yield on preferred stock is assured, and earnings are merely attributable to common stock but not all paid out to it, and this combined with its junior position, obviously causes a spread between the two. If, then common stock will sell at a higher ratio to its annual earnings in accordance with lower bond yields and preferred stock yields, this one factor may compensate in part for any diminution in the earnings themselves.

That this change in the yardstick of values which is occasioned by higher yields and which would be made manifest by refunding has great market significance, it is impossible to deny. Hence, those who argue that a period of saturation of capital leads to low interest, and is in itself a sign that profits are diminishing, are answered in their bearish construction by this capitalization development which is linked up so closely with the interest rate. Perhaps the deepest market significance of refunding consists in its making evident to the least analytical of investors that earnings are being capitalized more liberally even than in boom times when interest rates are high. It may also indicate that what is market inflation when interest rates are high and bond prices low, is a justified price when interest rates are enshrined permanently in low coupon rates.

What of the Future?

Future market influence of refunding operations, while important, will, of course, be secondary to those great swings in profits which are, after all, the basic determinants of the level of stock prices. The function of refunding in the future stock market will be confined to limiting these swings. In order to appreciate which group of securities is most likely to benefit from refunding operations, it is best to distinguish those benefiting from refunding of bonds, primarily, from those benefiting principally by refunding of preferred stock. The largest measure of funded debt is found in the rails. If, to their funded debt, which is a clear majority of all their capitalization, is added preferred stocks, the ratio of senior fixed-charge securities to common shares may be fixed, roughly, at about two to one. On the other hand, most of the sound rails have not

financed heavily during the period of excessive interest rates. Hence, their coupon rates center about 5%, and as yet refunding has played a minor part in their financial operations. But the roads that were formerly less sound, or those that have passed through recent receiverships, and are now in an improving position, are likely to refund heavily as their prosperity becomes more assured and they enjoy greater investor confidence.

An ideal example of a road with a top-heavy capitalization which stands to benefit greatly by a period of low interest rates is the St. Louis & San Francisco. Its fixed charge capitalization is top-heavy and excessive, but lower interest rates will undoubtedly enable it eventually to minimize its fixed charges with tremendous benefit to the common stocks. If Florida comes back, the Seaboard may be a lesser instance of such a development. These changes will not be immediate, but once they become highly probable will be discounted in the market price of such securities.

One thing is certain—insofar as redemption provisions make it at all possible, we shall see the 6% bond among the better rails diminish to a very secondary position. With prime railroad bonds selling to average about 4.65%, and with railroad bonds even of lesser quality yielding around 5%, the 6% bond has become archaic. The sounder rails whose capitalization, especially in junior issues, are bestrewn with 6% bonds, and even 6½% bonds, will benefit increasingly by these newer developments.

But they will not benefit to anything like the extent that will public utility holding company stocks, particularly of the stronger companies. Public utilities not only have always financed at higher coupon rates than the rails, but, a great part of their financing was done when interest rates were very high. Hence, the junior obligations of underlying companies often carry 6½% and 7% coupons, when such securities are on the average yielding today between 5.25% and 5.50%, and would yield still less were it not for the callable provisions of these bonds.

The preferred stocks of these underlying corporations are not as yet in so favorable a position. On the average, call prices are 110, and call figures of 115 are not uncommon. As these securities are as yet undervalued, and represent today one of the greatest investment opportunities extant, it follows that prices are as yet well below call figures, so that refunding operations from these sources may as well be ruled out. Preferred stocks of underlying corporations as yet lag far behind bond prices, simply because pure investment demand is almost always centered upon bonds first. When refunding operations on bonds begin to be effected on a large scale, however, it is true that preferred stocks' nominal dividend rate will then be revealed, even to the uncritical, as anomalous, and that such prices will advance nearer to the call price. But as yet

this factor can be wholly disregarded.

But the bonded debt of public utility systems is still their backbone and indicated refunding operations on such underlying securities may advance prices on common stocks of holding companies materially. If, for example, a holding company having 500,000 shares of common outstanding were to save 1½% per annum on 60 millions in underlying bonds, the saving of $900,000 per annum would be $1.80 per share, and should advance market value by $18 at least. Very often among the larger systems, there is a small proportion of common stock of the holding company, to total underlying capitalization, and in such cases major gains in earnings for the common stock could result from a few refunding operations.

Undoubtedly, the least benefit from refunding operations, as a class will be found among industrials. Their funded debt is rarely a large proportion of their capitalization, and in the few cases where it is very important, either the bonds are not selling at heavy premiums, or redemption price is too high. General Motors preferred has been cited, Goodyear 8s are a case in point. This issue is selling at 121 or one point above redemption price. It would probably sell above 125 if not for the call price. Assuming that such bonds could be sold to yield 5.75%, would Goodyear be justified in paying out $20 per bond to save $2.25 per annum for only sixteen years? Apparently, the saving would be too closely calculated for much advantage.

But on the preferred stock side the story is much more significant. Among the greater number of important issues, in fact among nearly all of them, present price either is close to or exceeds the call price of industrial preferred stocks. Of no other group can it be said that the market has set its doom upon present nominal dividend rates as decisively as in the case of industrial preferred stocks. Such an instance as Allied Chemical & Dye will occur to the amateur. The only possible argument against calling such stocks has been that the premium advanced to retire these stocks is earning more for the company in its present operations, than would be saved in interest rates by using the funds for redeeming stock. Undoubtedly, this has been the restraining factor in the situation, but with a stereotyped earning power. or lesser earning power, such as follows most great advances, the expediency of such redemptions will become urgent. The effect on industrial common stocks will be helpful, at the very moment when such lesser earnings would injure their position. In other words, the great advantage of refunding operations so far as the market is concerned, is that the net saving in fixed charges will tend to offset to some extent at least any decline in earning power, due to business depression.

For a specific example of a prospective refunding operation on a large scale, see the article on Standard Oil of New Jersey page 683.

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Dividends

Associated Gas and Electric Company

61 Broadway, New York

Dividends

The Board of Directors has declared the following quarterly dividends:

$6 Dividend Series Preferred Stock—$1.50 per share, payable September 1, to holders of record July 31, 1926.

$6.50 Dividend Series Preferred Stock—$1.62½ per share, payable September 1, to holders of record July 31, 1926.

Provision was also made for stock dividends, in lieu of the cash dividends, at the rate of 5.1/100ths of a share of Class A Stock for each share of $6 Dividend Series, and 5.5/100ths of a share of Class A Stock for each share of $6.50 Dividend Series Preferred Stock held.

On the basis of $32.75 per share for the Class A Stock this is at the annual rate of $6.68 per share for the $6 Dividend Series and $7.20 per share for the $6.50 Dividend Series Preferred Stock.

Stockholders may also purchase or sell sufficient scrip to make full shares at the rate of $1.00 above or below, respectively, the sale price of Class A Stock.

M. C. O'KEEFFE, Secretary.

MIDDLE WEST UTILITIES COMPANY

Notice of Dividend on Common Stock

The Board of Directors of Middle West Utilities Company has declared a quarterly dividend of One Dollar and Fifty Cents ($1.50) upon each share of the outstanding Common Capital Stock, payable August 16, 1926, to all Common stockholders of record on the Company's books, at the close of business at 1:00 o'clock P. M., July 31, 1926.

EUSTACE J. KNIGHT, Secretary

Dividends

Associated Gas and Electric Company

61 Broadway, New York

Dividend—Class A Stock

The Board of Directors of Associated Gas and Electric Company has declared the quarterly dividend payable August 2 on its Class A Stock to holders of record at the close of business June 30, 1926, at the rate of 2½% of one share of Class A Stock for each share held, or 10% per annum.

At this rate the stock dividend is equivalent to about $3.00 cash per share per year based on the present market price of about $30.00.

Stockholders may also purchase or sell sufficient scrip to make full shares at the rate of $1.00 above or below, respectively, the sale price of Class A Stock.

M. C. O'KEEFFE, Secretary.

CRANE CO.

Dividend Notice

At a meeting of the Board of Directors held July 20th, 1926, the following resolutions were adopted:

RESOLVED, That a stock dividend of ten per cent (10%) on the Common Stock of this Company be and the same hereby is declared, payable on October 15, 1926, to the holders of the Common Stock of the Company in proportion to their respective holdings of said stock of record at the close of business on September 15, 1926, in Common Stock of the Company, at par, so far as the same can be so paid in full shares, and the balance thereof payable in cash to the extent of the par value of the fractional shares which such stockholders would otherwise have been entitled to receive had this dividend been payable in fractional shares.

RESOLVED, That a quarterly dividend of one and three-fourths per cent (1¾%) on the Preferred Stock, and one and one-half per cent (1½%) on the Common Stock be, and the same hereby is declared, payable September 15, 1926, to stockholders of record September 1, 1926.

H. P. BISHOP, Secretary.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY

A Dividend of 2% ($1.00 per share) on the COMMON STOCK of this Company, for the quarter ending June 30, 1926, will be paid July 31, 1926, to stockholders of record as of June 30, 1926.

H. F. BAETZ, Treasurer.
New York, June 19, 1926.

H. F. WILCOX OIL & GAS COMPANY
NOTICE OF 24TH DIVIDEND

Tulsa, Oklahoma, July 8, 1926.

The Board of Directors, at their Meeting today, declared the regular quarterly dividend of fifty cents per share on the 388,222 shares no par value stock outstanding or reserved for exchange. Dividend payable August 5, on stock of record July 15th.

M. P. APPLEBY, Secretary-Treasurer

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Dividends

Stewart-Warner Speedometer Corporation

Chicago, Ill., July 20, 1926.

Dividend Notice

At a meeting of the Board of Directors of the Stewart-Warner Speedometer Corporation held July 20, 1926, the regular quarterly dividend of $1.50 per share was declared payable on August 16, 1926 to stockholders of record on July 31, 1926.

The stock transfer books will not be closed for dividend purposes.

W. J. ZUCKER, Secretary.

G. R. Kinney Co., Inc.

New York, July 22, 1926.

The Board of Directors of the G. R. Kinney Co., Inc., has this day declared the following dividends:

Preferred Stock: $2.00 per share payable Sept. 1st to stockholders on record August 21st.

Common Stock: $1.00 per share payable October 26th to stockholders on record September 21st.

E. H. KROM, President.

MARTIN-PARRY CORPORATION

New York, July 22nd, 1926.

The Board of Directors of the Martin-Parry Corporation has this day declared a dividend of Fifty Cents (50c) a share on the capital stock of the Corporation, payable September 1st, 1926, to stockholders of record August 16th, 1926. The transfer books will not be closed.

F. M. SMALL, President.